



PLANNING COMMISSION AGENDA REPORT

MEETING DATE: DECEMBER 10, 2018

ITEM NUMBER: PH-4

SUBJECT: PLANNING APPLICATION 18-33 FOR A MARIJUANA MANUFACTURING AND DISTRIBUTION FACILITY (POTOLOGY, LLC) AT 3505 CADILLAC AVENUE, BUILDING H

DATE: NOVEMBER 30, 2018

FROM: PLANNING DIVISION / DEVELOPMENT SERVICES DEPARTMENT

PRESENTATION BY: JOHNWILLY AGLUPOS, ASSISTANT PLANNER

STAFF CONTACT: JOHNWILLY AGLUPOS (714) 754-5692
johnwilly.aglupos@costamesaca.gov

DESCRIPTION

Planning Application 18-33 is a request for a Conditional Use Permit (CUP) for a marijuana manufacturing and distribution facility (Potology, LLC) within a 3,166-square-foot tenant space of an existing 6,379-square-foot industrial building—Building H. The proposed facility will include non-volatile CO₂ extraction, manufacturing of oils for vaping cartridges/pens and bulk oil concentrates and distribution of products that are manufactured onsite as well as products that are manufactured offsite by other licensed manufacturers including packaged vape pen/cartridges, bulk oil, edibles, flower, and beverages. Raw cannabis flower and trim will be used in the extraction process but will also be packaged at this facility for distribution as a final product. Rooms include interior loading/unloading vehicular space, quarantine, extraction, packaging, and an ancillary office. Vehicles used for the distribution of cannabis products will be pulled into a secured area inside the building during loading and unloading. The facility will have security systems (card readers, security cameras, etc.) throughout the facility.

APPLICANT/AUTHORIZED AGENT

The applicant/authorized agent is Christopher Cox; representing Dr. Ronald Nguyen, the property owner.

RECOMMENDATIONS

Staff recommends that the Planning Commission adopt a Resolution to:

1. Find that the project is categorically exempt from the provisions of the California Environmental Quality Act (CEQA) under CEQA Guidelines Section 15301 (Class 1), Existing Facilities; and
2. Approve Planning Application 18-33, subject to conditions of approval.

BACKGROUND

Project Site/Environs

The subject building is located within an existing multi-tenant industrial park (Cambridge Park) zoned as PDI (Planned Development Industrial) and has a General Plan Land Use Designation of Industrial Park. The 6,379-square-foot tenant space (Building H) currently contains a manufacturing use for dental and medical equipment. Tenant improvements would be made to divide the building into two suites to accommodate both the current dental and medical manufacturing business in one suite and the proposed Measure-X business in the second suite. The proposed Measure-X business will occupy 3,166 square feet of the 6,379-square-foot building. Building H abuts Building C, a pharmaceutical laboratory; and its adjacent neighbor is a recently approved cannabis manufacturing business (Building E) and a church (Building G, Suite 3 and 5). There are no open Code Enforcement cases on the property.

City of Costa Mesa Medical Marijuana Measure (Measure X)

On November 8, 2016, voters approved Measure X, also known as the City of Costa Mesa Medical Marijuana Measure. Measure X allows the following medical marijuana-related uses: distributors, manufacturers, processors, research and development laboratories, as well as testing laboratories and transporters. These uses may only be located in specific Industrial Park (MP) and Planned Development Industrial (PDI) zoned properties north of South Coast Drive, west of Harbor Boulevard, excluding the South Coast Collection (SOCO) property located at 3303 Hyland Avenue. Measure X prohibits the sale and cultivation of marijuana anywhere within the City.¹

Under Measure X, medical marijuana uses are required to obtain all of the following approvals before conducting business within the City:

1. A Medical Marijuana Business Permit;
2. A Conditional Use Permit; and
3. A Business License. Measure X imposes a 6 percent annual gross receipts tax on any marijuana business.

Subsequently on April 3, 2018, the City Council adopted Ordinance No. 18-04 to allow and permit adult use marijuana products to be manufactured, distributed, transported, tested and developed in the same manner and in the same areas as medical marijuana uses pursuant to Measure X. Non-medical adult use marijuana was not legal under state law at that time of the adoption of Measure X but is now legal under the State's Medicinal and Adult-Use Cannabis Regulation and Safety Act. Ordinance No. 18-04 also removed the prohibition against Measure X uses from being located within 500 feet of Moon Park.

¹ The Zoning Code, with limited exceptions for personal cultivation as mandated by Proposition 64, also prohibits dispensaries, sales and cultivation. See CMMC § 13-200.84.

Planning Application 18-33

Marijuana Business Permit (Part 1)

Per the process described above, the applicant applied for a Marijuana Business Permit (MBP) (MX-17-0006) on September 08, 2017. The MBP application was reviewed by the Community Improvement Division (CID). Review of the MBP included a background check of the proposed business owner(s) with each owner/officer of the company being required to complete and pass the background check, as well as the required submittal of a business plan and a security plan. Once the above items were approved by City staff, a Notice to Proceed letter was issued. The Notice to Proceed letter allows an applicant to file an application for a CUP and was issued for this application on July 19, 2018. The application for the CUP was submitted on August 29, 2018.

Marijuana Business Permit (Part 2) and Business License (if CUP Approved)

Upon approval of a CUP, the applicant may begin the remaining steps of the marijuana business approval process, which include obtaining any required building and fire safety permits and inspections. To complete the approval process, the applicant must receive a business license from the City. A MBP is valid for a two-year period and may be renewed by submitting an application therefor at least four months prior to expiration. After final approval of the MBP, the CUP, and the business license, as well as the required state license issued by the Bureau of Cannabis Control, the applicant may begin operation. During the permit period, the CID, along with other City staff, will conduct site visits to verify that the operation is in compliance with all permit requirements. Violations identified during these site visits may be grounds for the revocation of the MBP and/or CUP.

ANALYSIS

Proposed Use

The applicant is proposing to convert a 3,166-square-foot dental and medical tenant space within the 6,379-square-foot building into an area to be used for cannabis product extraction within the manufacturing premise and distribution. The applicant will be applying to operate under Type 11 (Distribution) and Type 6 (Non-volatile Manufacturing) State Cannabis Licenses. The two licenses will work in conjunction with each other.

Product Flow

The distribution portion of the business is located on the north side of the building with two existing rollup doors where deliveries of raw cannabis flower (whole buds from marijuana plants), trim (small buds and fan leaves from marijuana plants) and products manufactured offsite arrive to the facility. The raw material and products manufactured by a third party will be delivered under Potology's distributor's license and/or by other third-party licensed distributors. Before any loading and unloading of products, the transport area will be closed and secured; only when the rollup doors are closed will any loading/unloading occur. Once the raw material and products are delivered to the distribution area, they would be within the "Limited Access" area of the suite.

There are two types of cannabis material and products coming in through the distribution premises—untested (which are quarantined and then stored) and tested (which are

directly stored in the “secured storage” room). Raw cannabis material is either transferred from storage to the manufacturing premises for extraction or moved from storage to the “packaging/flex room” to be packaged and shipped. Products manufactured offsite by a third party such as edibles, beverages, topicals, tinctures, capsules, etc., stay in the distribution premise’s storage room.

Raw cannabis material slated for manufacturing is transported into the manufacturing premises accompanied with a shipping manifest and chain of custody form to track and trace product flow between the two licensed premises. Oil is extracted from the raw cannabis material in the manufacturing premises via CO₂ extraction. The material is then processed through a winterization procedure. After this, the oil is either filled and packed into vape cartridges and pens or packaged in bulk for distribution. Finished and packaged products will then be transported back in the distribution premises for transport. See Image 1 below and also Attachment 6 for reference.

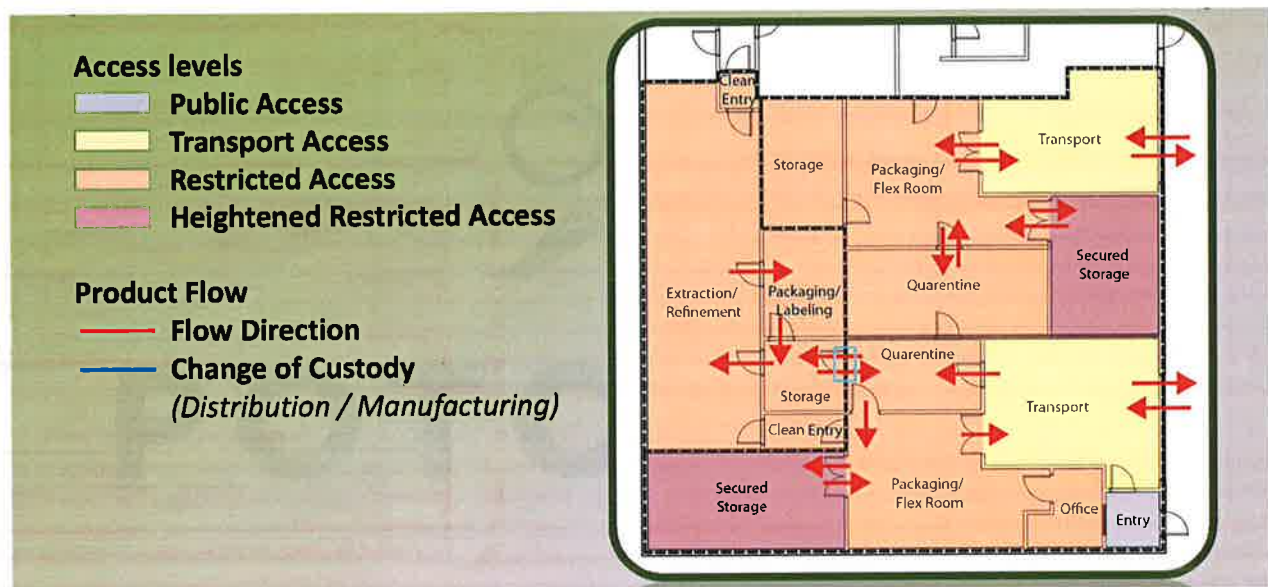


Image 1 – Product Flow and Restricted Access

Per Condition of Approval (COA) No. 1, no distribution will be allowed to occur between 12 AM midnight and 5 AM. No loading and unloading of raw materials or finished products into the vehicles will take place outside of the building. Video surveillance cameras will be installed on the exterior of the building with direct views of the exterior roll-up door. When not in use, the delivery vehicle will remain empty and will be parked within the parking lot.

The attached description letter provided by the applicant, which has also been reviewed by HdL, includes more detail regarding the above described activities and the areas within the building where these activities occur (Attachment 3).

Tenant Improvements

Interior tenant improvements include the creation of areas within the existing building to accommodate the proposed cannabis manufacturing and distribution use. This includes any tenant improvements necessary to divide the building into two suites: one to accommodate the existing dental and medical manufacturing business and the other to

accommodate the proposed Measure X business. Construction of the interior tenant improvements will take place in two phases. The first phase would be for the initial distribution premise and the manufacturing premise, which will be 1,094 square feet and 778 square feet in area, respectively. The second phase would expand the distribution premise by 1,121 square feet. See Image 2 below and also Attachment 6 for reference.

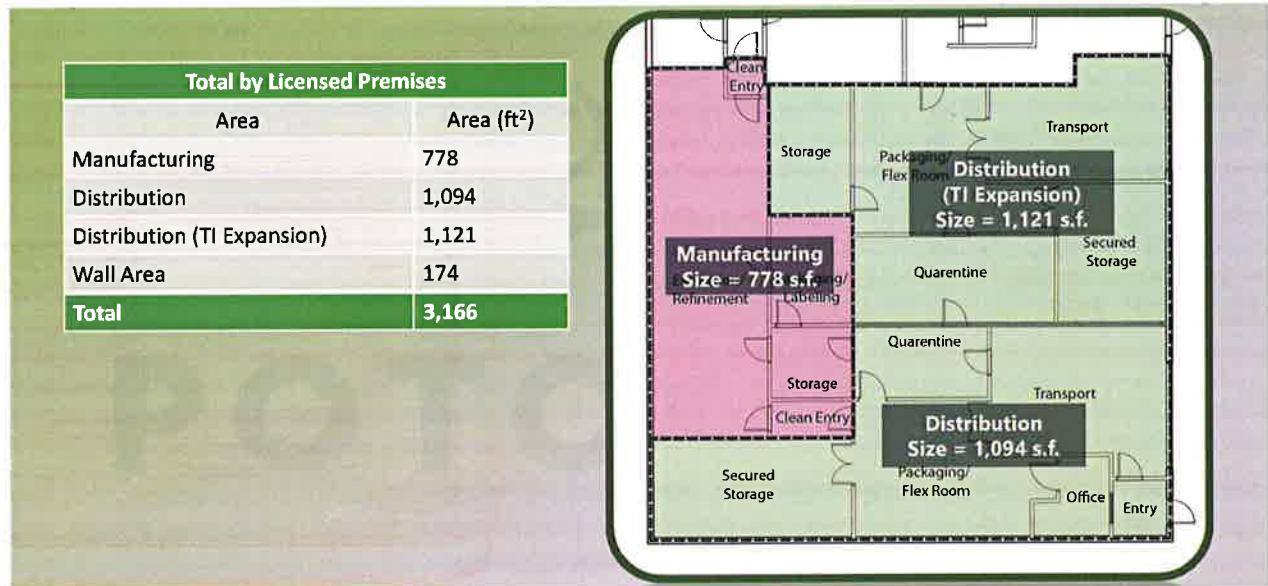


Image 2 – Proposed Floorplan

Each licensed premise, distribution and manufacturing, will have its own ventilation system, including a carbon filtration system, for climate and odor control .

Security measures proposed to be installed throughout the facility include: a video surveillance system installed at all exterior entrances and in all interior rooms; monitored burglar alarm system; and entry card readers. A detailed security plan was submitted to the Development Services Department as part of the Marijuana Business Permit and was reviewed and approved by HdL, the City’s security consultant. HdL also inspected the building with the applicant and Planning staff on September 25, 2018 and recommended additional operational conditions of approval as discussed later in this report.

GENERAL PLAN AND ZONING CODE CONFORMANCE

Conformance with the City of Costa Mesa General Plan

The Costa Mesa General Plan establishes the long-range planning and policy direction that guides change and preserves the qualities that define the community. The 2015-2035 General Plan sets forth the vision for Costa Mesa for the next two decades. This vision focuses on protecting and enhancing Costa Mesa’s diverse residential neighborhoods, accommodating an array of businesses that both serve local needs and attract regional and international spending, and providing cultural, educational, social, and recreational amenities that contribute to the quality of life in the community. Over the long term, General Plan implementation will ensure that development decisions and improvements to public and

private infrastructure are consistent with the goals, objectives, and policies contained in this Plan.

The following analysis evaluates the proposed project's consistency with specific policies and objectives of the 2015-2035 General Plan.

1. **Policy LU-1.1:** *Provide for the development of a mix and balance of housing opportunities, commercial goods and services and employment opportunities in consideration of the need of the business and residential segments of the community.*

Consistency: The proposed use will provide a new entrepreneurial business in Costa Mesa as allowed under Measure X and provide new employment opportunities in the community.

2. **Policy LU-3.1:** *Protect existing stabilized residential neighborhoods, including mobile home parks (and manufactured housing parks), from the encroachment of incompatible or potentially disruptive land uses and/or activities.*

Consistency: The proposed use is not located near any residentially-zoned properties. Therefore, the use is consistent with the General Plan Policy.

3. **Policy LU-6.15:** *Promote unique and specialized commercial and industrial districts within the City which allow for incubation of new or growing businesses and industries.*

Consistency: The proposed use is part of a growing industry and is proposed in a location as specifically identified for such uses by the City's electorate through Measure X. Therefore, approval encourages new businesses and entrepreneurial opportunities in an area of the City identified for such by local voters.

Conformance with the Zoning Code

Staff believes the proposed use, as conditioned, meets the intent of the City's Zoning Code with regard to the PDI zone, as the use would entail manufacturing and distribution within an existing industrial building zoned for that use. Manufacturing related to marijuana requires approval of a Conditional Use Permit.

JUSTIFICATIONS FOR APPROVAL

Pursuant to Title 13, Section 13-29(g), Findings, of the Costa Mesa Municipal Code, in order to approve the project, the Planning Commission must find that the evidence presented in the administrative record substantially meets specified findings as follows.

Required Findings

- The proposed development or use is substantially compatible with developments in the same general area and would not be materially detrimental to other properties within the area. The proposed use is a manufacturing and distribution use and, with the recommended COAs, will be consistent with the other industrial uses in the immediate vicinity. The business would abut Building C, a pharmaceutical

laboratory, and a portion of Building H, a manufacturer of dental and medical equipment. Its adjacent neighbor is a recently approved cannabis manufacturing business (Building E). An existing church is located in Building G (Suite 3 and 5). The church is a permitted use within the business complex and received approval through a CUP. The church's main entry is approximately 150 feet from the proposed business' entry with no direct views of marijuana products. In addition, all manufacturing and loading/unloading activity will be conducted inside the building which disguises the existence of a marijuana business. Compliance with the COAs, as discussed in the following section, will allow this use to operate with minimal impact on surrounding properties and uses.

- Granting the conditional use permit will not be materially detrimental to the health, safety and general welfare of the public or otherwise injurious to property or improvements within the immediate neighborhood. The proposed use is within an existing building and is consistent with the PDI zoning of the property and the uses immediately abutting the site. Building H has an independent HVAC system separate from its abutting neighbor (Building E) to prevent potential odor. Each licensed premise, distribution and manufacturing, within Building H will have its own ventilation system, including a carbon filtration system, for climate and odor control. In addition, no loading and unloading of raw materials or finished products into the vehicles will take place outside of the building. Compliance with the recommended conditions of approval and code requirements will ensure that the project is not materially detrimental to the health, safety and general welfare of the public or otherwise injurious to property or improvements within the immediate neighborhood.
- Granting the conditional use permit will not allow a use, density or intensity which is not in accordance with the General Plan designation and any applicable specific plan for the property. The use is consistent with the General Plan goals and policies as discussed earlier in this report. The proposed use is within an existing building and there are no proposed additions to the building; therefore, there is no change to density or intensity. In addition, the proposed use is a conditionally permitted use in the industrial zone.

Conditions of Approval

More than 30 COAs are included in the Administrative Regulations for uses subject to Measure X, beyond standard COAs for CUPs. These new conditions were developed specifically for marijuana uses. New conditions include, but are not limited to, the following:

- Business identification signage shall be limited to that needed for identification only. Business identification signage shall not include any references to marijuana, whether in words or symbols. All signs shall comply with the Costa Mesa Municipal Code. No sign shall be installed until the owner/operator or its designated contractor has obtained any permit required from the City. (COA No. 7).

- Cannabis shall not be consumed on the premises at any time, in any form. (COA No. 14).
- No outdoor storage of cannabis or cannabis products is permitted at any time. (COA No. 15).
- Persons under the age of twenty-one (21) years shall not be allowed on the premises of this business, including employees of the business. (COA No. 18).
- No cannabis or cannabis products, or graphics depicting cannabis or cannabis products, shall be visible from the exterior of this property, or on any of the vehicles owned or used as part of the marijuana business. (COA No. 20).
- Each entrance to the business shall be visibly posted with a clear and legible notice stating the following (COA No. 21):
 - That smoking, ingesting, or otherwise consuming cannabis on the premises or in the areas adjacent to the marijuana business is prohibited.
 - That no person under the age of twenty-one (21) years of age is permitted to enter upon the premises.
 - That loitering by persons outside the facility both on the premises and within fifty feet (50') of the premises is prohibited.
- All employees must wear an identification badge while on the premises of the business, in a format prescribed by the City Manager. (COA No. 25).
- The business must obtain any and all licenses required by state law and/or regulation prior to engaging in any cannabis activity at the property. (COA No. 30).
- Any change in the operational characteristics of the use shall be subject to Planning Division review and may require an amendment to the conditional use permit, subject to either Zoning Administrator or Planning Commission approval, depending on the nature of the proposed change (COA No. 33).

The proposed use will also be required to comply with the building/fire code for type of construction, separations, fire-rated walls and doors, and exiting. Additionally, the applicant will be required to submit plans showing the mechanical equipment for adequate odor control and ventilation for the tenant space. Compliance will be confirmed at the time of building plan check.

Prior to issuance of a building permit, the Applicant shall submit project plans that comply with the security-related requirements as recommended by the City's security-consultant, HdL, including, but not limited to, the following:

- a. The applicant should update the floor plan to provide camera coverage in the manufacture Packaging/Labeling room, the Security Server Storage room, the exterior door of the Clean Room Entry near the Prep Counter of the manufacture facility, and the exterior door of the Phase 2 Distribution Packaging Flex Room near the common hallway.
- b. The applicant should increase the SOP's video storage to 90 days.

Completion of the Marijuana Business Permit and Business License

As noted above, obtaining approval of the CUP is only part of the process involved with obtaining a Marijuana Business Permit and commencement of business operations. If the CUP is approved by the Planning Commission, the applicant will be required to obtain the necessary final approvals from CID, Building Safety, Fire Prevention, and the Finance

Department in order to finalize the Marijuana Business Permit and obtain a business license from the City. Additionally, the applicant must also receive approval from the State of California to operate the marijuana business.

ENVIRONMENTAL DETERMINATION

The project is exempt from the provisions of the California Environmental Quality Act (CEQA) under CEQA Guidelines Section 15301 (Class 1) for Existing Facilities. The project is consistent with the applicable General Plan designation and all applicable General Plan policies as well as with applicable zoning designation and regulations.

LEGAL REVIEW

The draft resolution has been reviewed and approved as to form by the City Attorney's Office.

PUBLIC NOTICE

Pursuant to Title 13, Section 13-29(d), of the Costa Mesa Municipal Code, three types of public notification have been completed no less than 10 days prior to the date of the public hearing:

1. Mailed notice. A public notice was mailed to all property owners and occupants within a 500-foot radius of the project site. The required notice radius is measured from the external boundaries of the property. (See attached Notification Radius Map.)
2. On-site posting. A public notice was posted on each street frontage of the project site.
3. Newspaper publication. A public notice was published once in the Daily Pilot newspaper.

As of the date of this report, no written comments have been received from the public. Any public comments received after the date of this report but prior to the Planning Commission hearing will be provided separately.

ALTERNATIVES

The Planning Commission may take one of the following actions.

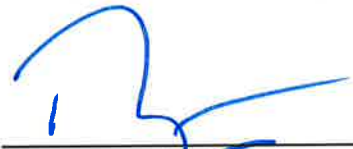
1. Approve the project, as proposed. The Planning Commission may approve the project, subject to the conditions of approval as recommended by staff. A Resolution for approval is provided as Attachment 5.
2. Approve the project with modifications. The Planning Commission may suggest specific changes that are necessary to alleviate concerns raised at the public hearing regarding the proposed use. If any requested changes are substantial, the item should be continued to a future meeting to allow for a redesign or additional analysis. In the event of significant modifications to the proposal, staff will return with a revised resolution incorporating new findings and/or conditions.

3. Deny the project. If the Planning Commission believes that there are insufficient facts to support the findings for approval, the Planning Commission must deny the application and provide facts in support of denial and direct staff to modify the Resolution to reflect the findings for denial. If the project were to be denied, the applicant could not submit substantially the same type of application for six months.

CONCLUSION

The use, as conditioned, reflects a use that is consistent with the intent of the Zoning Code, the City's General Plan, and the City of Costa Mesa Marijuana Measure (Measure X) as revised. Therefore, staff recommends approval. The Commission may approve, deny or approve the application with modifications.



JOHN WILLY AGLUPOS
Assistant Planner

BARRY CURTIS, AICP
Director of Economic and Development
Services

Attachments: 1. Vicinity, Zoning, and Notification Radius Map
 2. Site Photos
 3. CUP Letter, Fire & Safety Plan, Odor Control Plan, Security Plan
 4. Project Plans
 5. Draft Planning Commission Resolution and Exhibits
 6. Exhibits

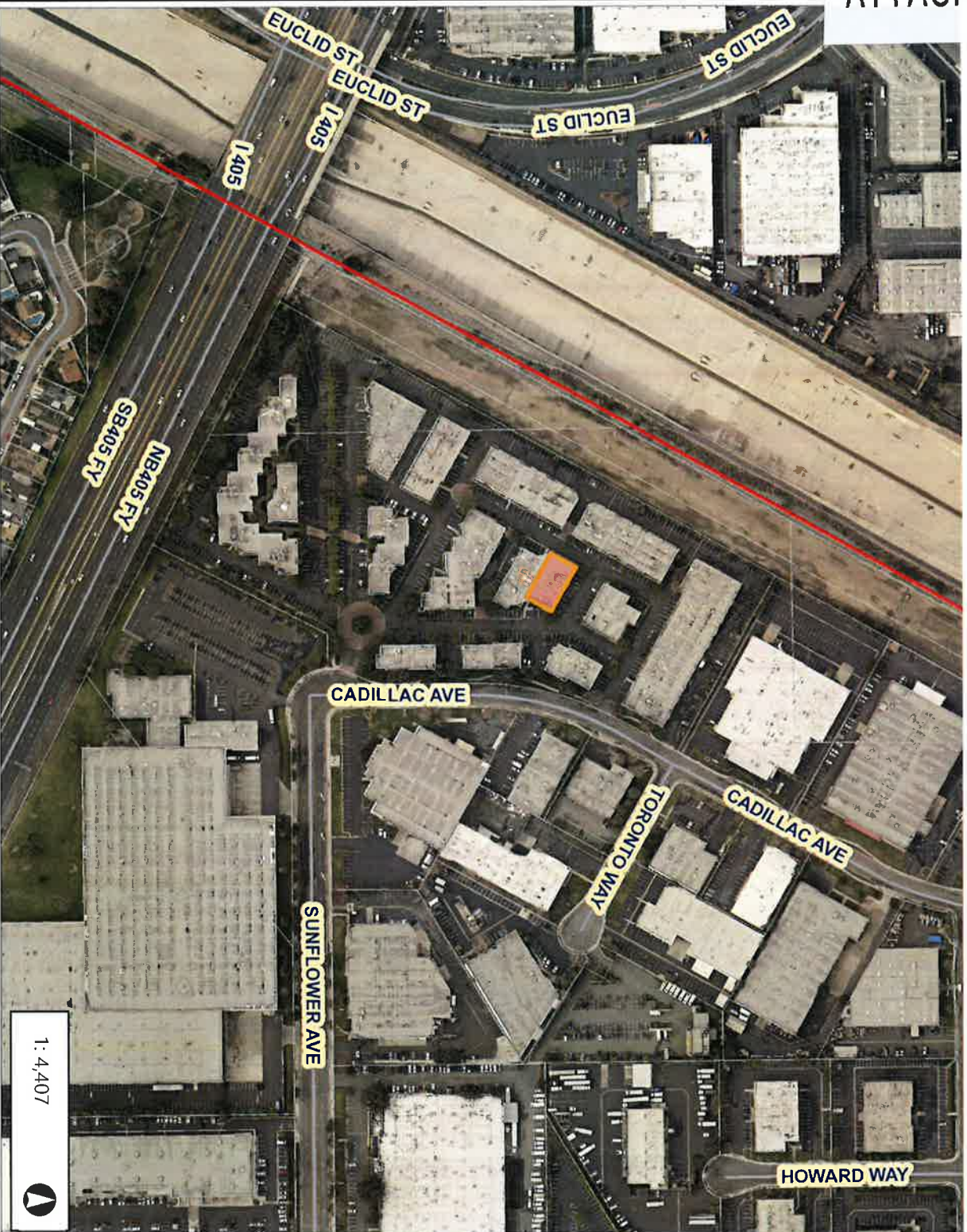
Distribution: Director of Economic and Development Services
 Assistant Director of Development Services
 Assistant City Attorney
 Director of Public Services
 City Engineer
 Transportation Services Manager
 Fire Protection Analyst
 File

Applicant: Christopher Cox
 1225 8th Street, Suite 210
 Sacramento, CA 95814

Owner: Dr. Ronald Nguyen
 3060 Java Road
 Costa Mesa, CA 92626



Vicinity Map 2505 Cadillac Building H



0.1 0 0.07 0.1 Miles

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1:4,407



The City of Costa Mesa makes no guarantee as to the accuracy of any of the information provided and assumes no liability for any errors, omissions, or inaccuracies.



Legend
Costa Mesa


Notes

























1: 4,407



Legend

 Costa Mesa

Zoning

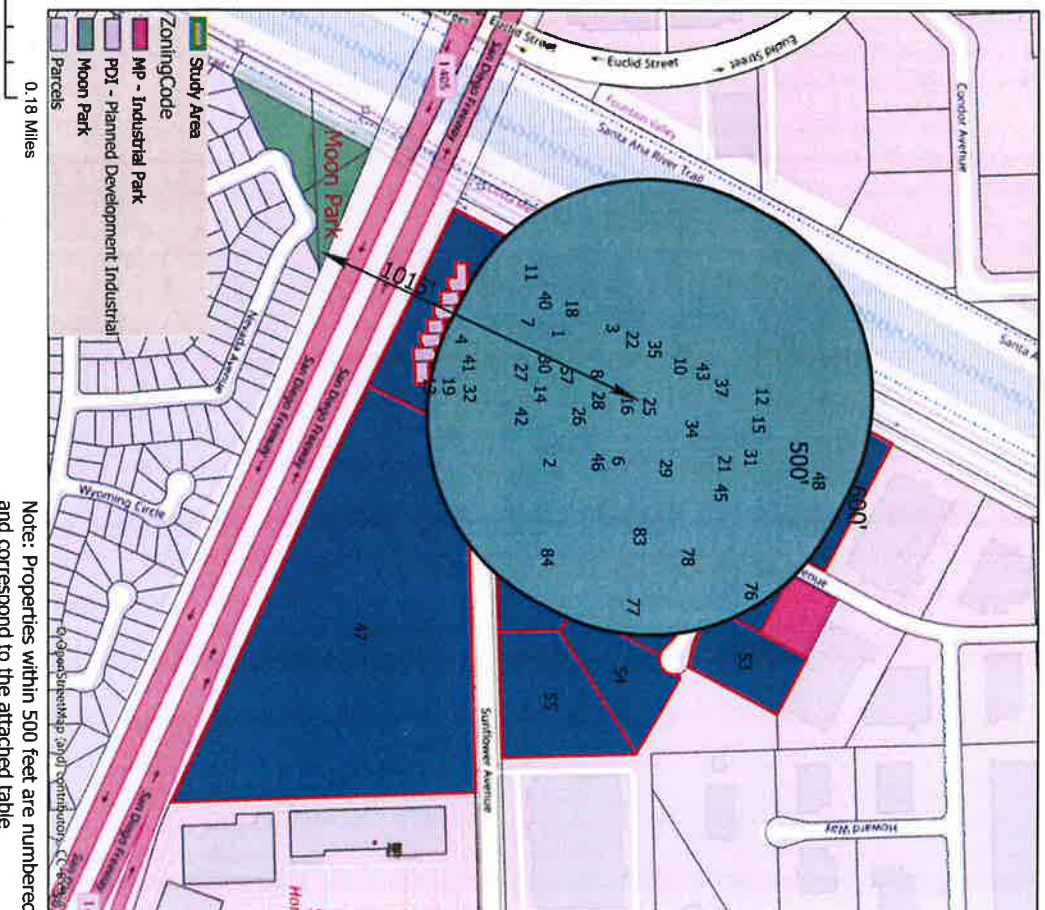
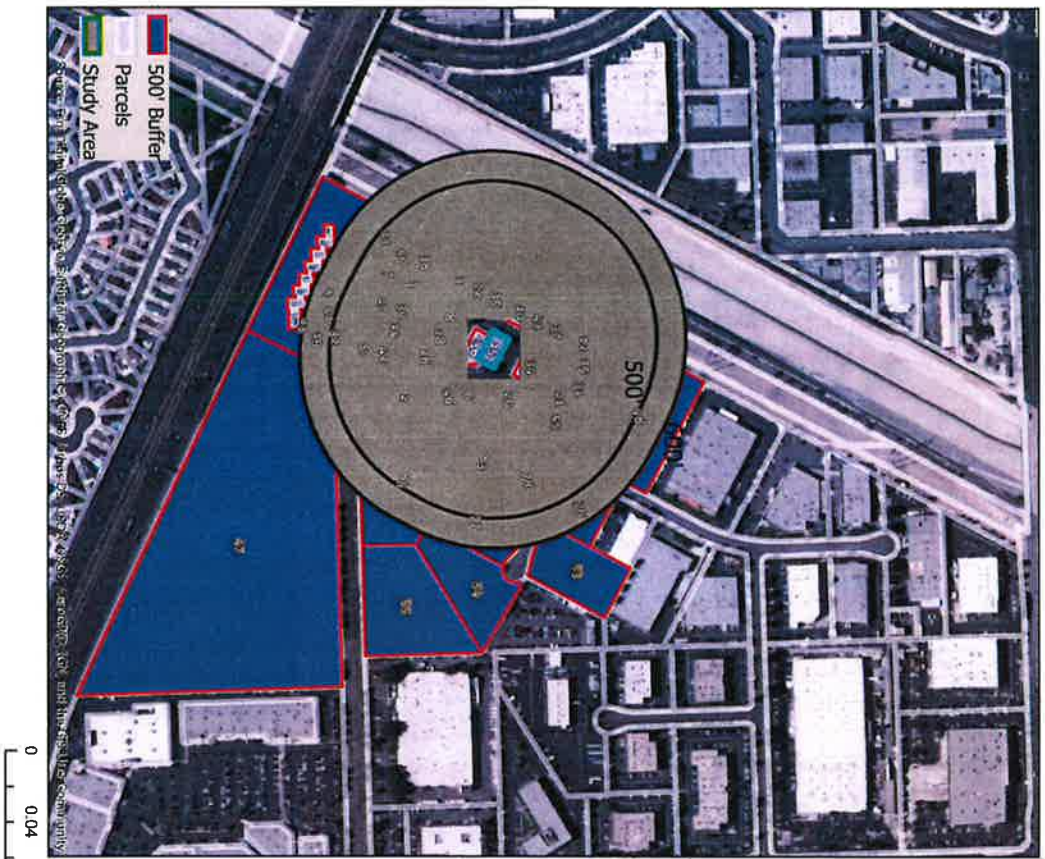
-  AP - Administrative Professional
-  IR-MLT - Institutional Recreational I
-  R1 - Single-Family Residential
-  R2-MD - Multiple-Family Residential
-  R2-HD - Multiple-Family Residential
-  R3 - Multiple Family Residential
-  MG - General Industrial
-  MP - Industrial Park
-  PDI - Planned Development Industrial
-  C1 - Local Business
-  C2 - General Business
-  C1-S - Shopping Center
-  TC - Town Center
-  PDR-NCM - Planned Development Mesa
-  I&R - Institutional Recreational
-  I&R-S - Institutional Recreational - S
-  P - Parking
-  CL - Commercial Limited
-  PDC - Planned Development Comm
-  PDR-LD - Planned Development R
-  PDR-MD - Planned Development R Density
-  PDR-HD - Planned Development R

Notes

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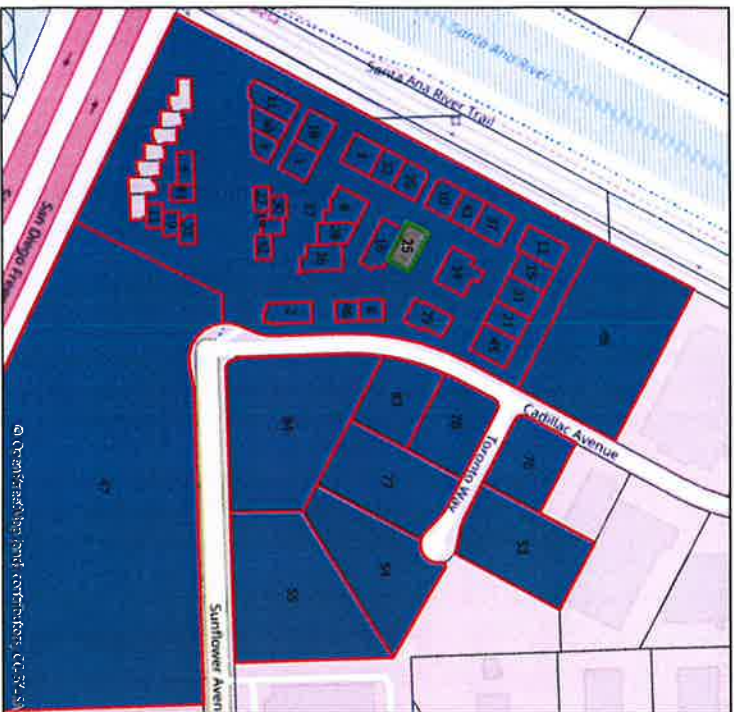
Neighborhood Context Map

APN: 139-661-18
3505 Cadillac Avenue, Costa Mesa, CA 92626-1429



Note: Properties within 500 feet are numbered and correspond to the attached table

Overview Map



OBJECTID	APN	Name	Street Address	City, State, Zip	Zoning Use
1	139-661-13	3505 CADILLAC BUILDING K LLC	3505 CADILLAC AVE K2	COSTA MESA CA 92626-1429	INDUSTRIAL
2	139-661-23	3505 CADILLAC HOLDINGS LLC	3505 CADILLAC AVE A	COSTA MESA CA 92626-1429	INDUSTRIAL
3	139-661-11	SCHNER MALCOLM A TR M A SCHNER TR	3505 CADILLAC AVE J5	COSTA MESA CA 92626-1429	INDUSTRIAL
4	139-662-08	PAWELL HOLDINGS LLC	3505 CADILLAC AVE P102	COSTA MESA CA 92626-1429	INDUSTRIAL
6	139-661-21	HOLLOWAY GREGORY A TR	3505 CADILLAC AVE B2	COSTA MESA CA 92626-1429	INDUSTRIAL
7	139-662-03	HAYRYLOT LLC	3505 CADILLAC AVE N1	COSTA MESA CA 92626-1429	INDUSTRIAL
8	139-661-14	WENG CAPITAL GROUP LLC	3505 CADILLAC AVE L1	COSTA MESA CA 92626-1429	INDUSTRIAL
10	139-661-08	ST BARNAVAS ORTHODOX CHURCH	3505 CADILLAC AVE 05	COSTA MESA CA 92626-1429	INDUSTRIAL
11	139-662-01	PING JIA	3505 CADILLAC AVE M4	COSTA MESA CA 92626-1429	INDUSTRIAL
12	139-661-05	COSTA NOLDER PROPERTIES LLC	3505 CADILLAC AVE F9	COSTA MESA CA 92626-1429	INDUSTRIAL
14	139-662-05	3505 CADILLAC AVE LLC	3505 CADILLAC AVE M102	COSTA MESA CA 92626-1429	INDUSTRIAL
15	139-661-04	RUSS JERARD R TR	3505 CADILLAC AVE F7	COSTA MESA CA 92626-1429	INDUSTRIAL
16	139-661-17	GORGY MEDIAT	3505 CADILLAC AVE C	COSTA MESA CA 92626-1429	INDUSTRIAL
18	139-661-12	3505 CADILLAC BUILDING K LLC	3505 CADILLAC AVE K1	COSTA MESA CA 92626-1429	INDUSTRIAL
19	139-662-11	RLT MANAGEMENT INC DBPP OF TR TESSER ROSS TRUST	3505 CADILLAC AVE 0102	COSTA MESA CA 92626-1429	INDUSTRIAL
21	139-661-02	HUGO HOLDINGS LLC	3505 CADILLAC AVE E3	COSTA MESA CA 92626-1429	INDUSTRIAL
22	139-661-10	SCHNER MALCOLM A TR	3505 CADILLAC AVE J3	COSTA MESA CA 92626-1429	INDUSTRIAL
25	139-661-18	LARGE WHITE LLC TR 3505 CADILLAC AVE TITLE HOLDING TR	3505 CADILLAC AVE H	COSTA MESA CA 92626-1429	INDUSTRIAL
26	139-661-16	SCAMPERS PROPERTIES LLC	3505 CADILLAC AVE I5	COSTA MESA CA 92626-1429	INDUSTRIAL
27	139-662-07	3505 CADILLAC AVE LLC	3505 CADILLAC AVE M104	COSTA MESA CA 92626-1429	INDUSTRIAL
28	139-661-15	AVANZARE LLC	3505 CADILLAC AVE I3	COSTA MESA CA 92626-1429	INDUSTRIAL
29	139-661-20	KAOH KLO FONG	3505 CADILLAC AVE D	COSTA MESA CA 92626-1429	INDUSTRIAL
30	139-662-06	3505 CADILLAC AVE LLC	3505 CADILLAC AVE M103	COSTA MESA CA 92626-1429	INDUSTRIAL
31	139-661-03	82 INVESTMENTS LLC	3505 CADILLAC AVE F5	COSTA MESA CA 92626-1429	INDUSTRIAL
32	139-662-10	RLT MANAGEMENT INC DBPP OF TR TESSER ROSS TRUST	3505 CADILLAC AVE 0101	COSTA MESA CA 92626-1429	INDUSTRIAL
34	139-661-19	KERKORP LLC	3505 CADILLAC AVE E	COSTA MESA CA 92626-1429	INDUSTRIAL
35	139-661-09	SCHNER MALCOLM A TR	3505 CADILLAC AVE J1	COSTA MESA CA 92626-1429	INDUSTRIAL
37	139-661-06	GOODALL JEROME A TR GOODALL EXEMPTION TR	3505 CADILLAC AVE E1	COSTA MESA CA 92626-1429	INDUSTRIAL
40	139-662-02	RUSS JERARD B TR RUSS TR	3505 CADILLAC AVE N3	COSTA MESA CA 92626-1429	INDUSTRIAL
41	139-662-09	PAWELL HOLDINGS LLC	3505 CADILLAC AVE P101	COSTA MESA CA 92626-1429	INDUSTRIAL
42	139-662-04	3505 CADILLAC AVE LLC	3505 CADILLAC AVE M101	COSTA MESA CA 92626-1429	INDUSTRIAL
43	139-661-07	CHURCH ST BARNAVAS ORTHODOX	3505 CADILLAC AVE G3	COSTA MESA CA 92626-1429	INDUSTRIAL
45	139-661-01	KSI INVESTMENTS LLC	3505 CADILLAC AVE F1	COSTA MESA CA 92626-1429	INDUSTRIAL
46	139-661-22	NDP COSTA MESA LLC	3505 CADILLAC AVE B1	COSTA MESA CA 92626-1429	INDUSTRIAL
47	139-661-14	INTERNATIONAL ASSET MANAGEMENT GROUP LLC	1683 SUNFLOWER AVE	COSTA MESA CA 92626-1540	INDUSTRIAL
48	139-662-27	ICM-JAE INVESTMENTS LTD	3545 CADILLAC AVE	COSTA MESA CA 92626-1452	INDUSTRIAL
53	139-662-05	TIGER BABES LLC	1680 TORONTO WAY	COSTA MESA CA 92626-1412	INDUSTRIAL
54	139-662-07	ANDERSON WILLIAM C TR	1675 TORONTO WAY	COSTA MESA CA 92626-1412	INDUSTRIAL
55	139-662-12	MP PROPERTIES LP	1670 SUNFLOWER AVE	COSTA MESA CA 92626-1513	INDUSTRIAL
57	139-661-24	CAMBRIDGE PARK ASSN	3540 CADILLAC AVE	COSTA MESA CA 92626-1415	INDUSTRIAL
76	139-662-04	MITCHELL JOHN F TR J & C MITCHELL FAMILY TR	1685 TORONTO WAY	COSTA MESA CA 92626-1412	INDUSTRIAL
77	139-662-08	BURTON JORGE TR J & R BURTON FAMILY TR	3530 CADILLAC AVE	COSTA MESA CA 92626-1402	INDUSTRIAL
78	139-662-09	KANEN BARBARA J TR KANEN-FAMILY RESIDUAL TR	3520 CADILLAC AVE	COSTA MESA CA 92626-1419	INDUSTRIAL
83	139-662-10	TATUM JOHN R	1700 SUNFLOWER AVE	COSTA MESA CA 92626-1505	INDUSTRIAL
84	139-662-11	CANNON SUNFLOWER PROPERTIES L P			

Note: Properties within 500 feet are numbered and correspond to the attached table

Neighborhood Address List

APN: 139-661-18

3505 Cadillac Avenue, Costa Mesa, CA 92626-1429

Date: 7-19-18



View A: North elevation. Main entry and rollup doors



View B: South elevation. Side of building showing abutting business



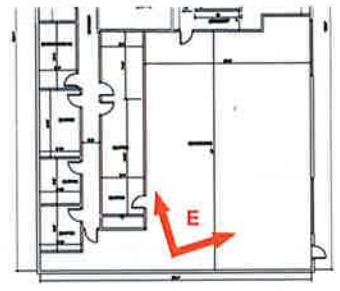
View C: Existing building, view from the entry door / rollup door



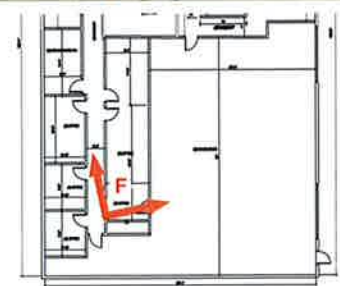
View D: Existing building, view of interior space



View E: Existing building, view of interior space



View F: Existing building, view of interior space





July 31, 2018

City of Costa Mesa Development Services Department
77 Fair Drive 2nd Floor
Costa Mesa, CA 92626

RE: CUP Applicant Letter

We recognize that it is the responsibility of the City of Costa Mesa to protect the health, safety, and welfare of its residents in general and specifically with regard to new marijuana or cannabis industry and products, and to enforce rules and regulations consistent with state law. In acknowledgment of this right and responsibility, Potology, LLC respectfully seeks a conditional use permit to operate a licensed cannabis business within the city.

As long-standing members of the Costa Mesa business community, Dr. Ronald Nguyen, founding member of Potology, LLC, and his trusted team, understand the importance of protecting and encouraging existing neighborhood characteristics while still allowing for potential economic growth. Dr. Nguyen currently owns the property at 3505 Cadillac Avenue, Building H and has committed this property to the proposed use as a means of not only maintaining, but adding value to the neighborhood and surrounding community.

This building is within the area identified by Costa Mesa as the most effective location for the city to enter the licensed cannabis industry, in addition to being in close proximity to other applicants and approved permitted businesses. The Potology team will ensure that its facilities will operate in a safe, secure and compliant manner to ensure that the City's trust in our industry is well placed.

The Potology premises is situated in the permissible zoning exception to the general prohibition within the City for licensed cannabis distribution, manufacturing, processing, transporting, research and development, and testing. Our proposed manufacturing and distribution activities at these premises fall in line with these allowed uses. Additionally, proposed operations for Building H are consistent with the current zoning designation and do not require additional entitlements or land use variances, other than those anticipated for operating a licensed cannabis manufacturing company. The surrounding area of 600 feet does not contain any businesses that are determined as sensitive use areas such as schools or daycares. The radius map, enclosed with this application package, shows Moon Park at a distance of 1,015' from the Potology Premises. Moon park is frequented by children from nearby care centers, the nearest being Western Youth Services within walking distance of the park at an additional 1.9 miles due west.

The property was planned and developed to house businesses of a light industrial and commercial nature such as Potology. The property on which the building is located contains a



small parking area as well as a wealth of common parking nearby in the business park. Traffic implications from the business will be minimal as the nature of the operation is focused on manufacturing and distribution. Vehicle traffic will only come from employees and vetted vendors, contractors, and consultants who have obtained security access through our standard company protocol. As described in the Business & Operation Plans, a secured transport vehicle will be used for retail deliveries during business hours only.

With the help of a series of professionals, including architects and experienced cannabis consultants, we have developed a comprehensive build out plan and workflow, as well as environmental and neighborhood analyses that are discussed in this application and attached as exhibits. The business operation has been thoughtfully planned so as not to draw attention to itself or create noise that is outside the ordinary for a facility within the business park. Loitering and public access to the premises will be strictly prohibited and enforced through onsite signage and security personnel who monitor the premises. Policies that describe these procedures will be found in the attached draft SOP document which will be completed and submitted to the State during our final application for licensure.

Potology has developed its plans to ensure a smoothly run and securely operated facility that accommodates expected workflow, and which is guided by business policies and procedures that are designed to comply with all rules and regulations specified by state and local agencies. Potology intends to successfully acquire and maintain its licensure in good standing and to demonstrate the Company's commitment to exemplary compliance with state and local regulations as will be shown throughout the remainder of this application.

Sincerely,

Ronald Nguyen
and the Potology Team



MARIJUANA BUSINESS & OPERATIONS PLAN

**TYPE 6 NON-VOLATILE MANUFACTURING &
TYPE 11 DISTRIBUTION**

For the Property Located at
3505 Cadillac Ave. Building H
In Costa Mesa, California 92626

Prepared for:

Potology, LLC

A Locally Owned, California LLC

Prepared on: May 10, 2018

Table of Contents

1. Introduction 3

2. Company Structure and Qualification of Principals 4

3. Regulatory Approvals and Compliance 6

4. Premises 15

5. Business & Operation Plans 16

6. Neighborhood Compatibility Plan 31

7. Safety & Security Plan 32

8. Community Benefits – Charitable Giving 33

9. Enhanced Product Safety 33

10. Environmental Benefits 34

11. Labor & Employment 35

12. Local Enterprise 36

13. Operational History 36

14. Insurance Requirements 37

Figures

- Figure 1 – Neighborhood Context Map
- Figure 2 – Marijuana Product Flow Diagram

Flow Charts

- Flow Chart 1 – Gantt Chart of Approvals and Build Out
- Flow Chart 2 – Management and Staff Organization Chart
- Flow Chart 3 – Manufacturing and Distribution Workflow
- Flow Chart 4 - Workflow Diagram Applied to Floor Plan

Attachments

- Operating Agreement
- Financial Pro Forma – 3 Year Forecast
- Lease Agreement
- Proof of Capitalization
- Architectural Plan Set
- Security Plan
- Safety Plan
- Waste Management Specs
- Laboratory Equipment
- Draft Standard Operating Procedures Manual

1. Introduction

It's almost as if two worlds collided for me when the Costa Mesa City Council determined that my currently owned building, presently leasing to health-related companies, was now eligible to enter the legal, tax-paying marijuana manufacturing and distribution business.

I have spent my entire adult-life committed to the well-being of patients and fellow medical professionals in private practice. With the advent of the new regulations, I recognized the opportunity of a lifetime to build a team, a company and brands that enhance the lives of far more people than my private practice could ever positively impact. As my fellow scientists are now just starting to be able to research the impact of marijuana on people in need of relief, I find myself increasingly excited about the discoveries and inevitable answers to so many open questions surrounding this 'miracle plant'.

My team and I join the Costa Mesa community in applauding the courage and wisdom shown by the City Council to permit both Medical and Adult Use manufacturing, distribution and testing within city borders. We look forward to participating in this vibrant new economic force that is sure to bring many benefits to the City and surrounding communities. To this end, we have chosen to start with a niche focus on a product class that is most closely aligned to the so called "new users" in search of relief from marijuana in a responsible and controlled manner – through vape pens and cartridges.

We sincerely hope, through the presentation of this application package, to answer all relevant questions and satisfy any concerns the City of Costa Mesa may have regarding our organization, business plan, facility operations and security. To that end, we wish to call the City's attention to the following important highlights regarding the Potology team:

- The Potology team is comprised of local business owners that have been operating successful and impressive businesses - including health-related businesses, in Costa Mesa for many years and will continue to operate consistent with this track record of success.
- We are organized and well-funded to enter the marijuana industry with a conservative and sound business plan that will allow us to calmly determine the proper path for its long-term success. Our team recognizes that patients do not benefit from a marijuana operation opening and closing soon thereafter and are prepared to navigate through the inevitable rough waters facing business startups.
- We are a group of licensed medical professionals with experience in compliance and safety.
- We are responsible, tax paying citizens who have and will continue at all times, to focus on lawfully and safely producing products, hiring, training and managing employees, and operating facilities that will not harm our fellow residents, communities or natural resources.
- We will be discreet and prioritize the safety and security of our premises, our team and our products above all else.

We respectfully submit the following application package for your careful consideration.

Regards,

Dr. Ron Nguyen, Managing Member of Potology LLC

2. Company Structure and Qualification of Principals

2a. Entity Structure

Potology LLC is a California limited liability corporation, formed in 2017. The one-member LLC is owned by Dr. Ron Nguyen. Its primary business address is 3505 Cadillac Avenue, Building H, Costa Mesa, CA 92626, within the small area that has been approved by the City Council for commercial marijuana operations. As of January 1, 2018, the state of California allows both for-profit and nonprofit entities to obtain marijuana licenses.

2b. Principal Background

Dr. Ron Nguyen, DDS

Some time ago, a mutual friend to both Dr. Nguyen and business partner Cammy Hoang passed away from stage 4 cancer. Toward the end of their friend's life, the pain medications he had been taking were no longer effective. To assist him with the pain, his doctors took him off all prescriptions and began to give him CBD oil. Even in his last breaths, he expressed his deep appreciation for the comfort and relief from pain that CBD had afforded him in his end of life.

Through his friend's experience, Dr. Nguyen had become aware of the great benefits of medical marijuana. He began noticing more and more cases applauding the many uses of the plant. One day as he and his business partner watched television, a touching story of a father who legally purchased marijuana to make an illegal CBD oil for his epileptic daughter aired. Through this program Ron and his business partner Cammy became aware of many other parents with similar journeys of going out of their legal way to provide cures for their sick children. As parents, Ron and Cammy were touched and motivated to do anything they could to promote the legalization of medicine from the cannabis plant. As measures began appearing on their local ballots, they voted in support.

When measure X was approved in the City of Costa Mesa, Dr. Nguyen was already mentally prepared to seize the opportunity to make safe cannabis products for patients in need. Dr. Nguyen and his team believe that cannabis is a product that benefits not only patients but all consumers, the city and the community at large.

Ron quickly engaged his nimble business team to form Potology LLC, a small group of serial entrepreneurs with a track record of creating and sustaining multiple successful businesses. These ventures include manufacturing of dental and medical equipment, dental implant manufacturing, real estate investments, a multi-unit community development, Orange County's largest parkour gym, and Westminster's largest dental office. These collectively generate annual revenues in excess of \$14,000,000 and employ over 120 staff members.

Ron says of his associates, "my team is comprised of revolutionaries in each field, together they bring a diverse network of talent from multiple industries that creates a synergistic effect, which can be focused

on any new venture with successful outcomes." He believes that cannabis is the next natural progression and the forefront of a new developing and highly beneficial opportunity for business and consumers alike. Potology, LLC's biggest advantage is a proven formula in business leadership, management and growth that leverages its large network of talented individuals in sophisticated industries, and proven record of highly successful business concepts, to succeed in any environment.

One of Dr. Nguyen's most successful ventures has been the invention of Feather Light LED technology, released in 2006. This small but powerful invention, which provides a nearly weightless headlamp to aid the vision of the dentist during their most sensitive work, has far-exceeded Dr. Nguyen's initial expectations. Feather Light LED has received top rankings several times in the past decade, including Top Choice by an independent non-profit dental education and product testing institute in 2009 and 2010, and the Editor's Choice pick for a top online dental advisory community in 2013, 2014, 2016 and 2018.

Dr. Nguyen currently lives in the city of Costa Mesa with his family. His success has inspired him to travel the country, encouraging young entrepreneurs to develop new ideas and realize their dreams as he has done, and continues to do in his own life. When he recently discovered the opportunity for utilizing his current building space to develop yet another specialized set of helpful products, Dr. Nguyen set out to realize a new dream. The resulting company Potology, LLC carries the expectations and potentials of this highly compelling vision.

Cammy Hoang

Cammy Hoang is Ron's right-hand and managing partner. She has been instrumental over the years in navigating his other companies to great successes within their industry. Cammy also shares in Dr. Nguyen's interest in bringing herbal relief to consumers through the production of cannabis vape products. Through their mutual friend's passing, Ron and Cammy developed a shared interest in the increased availability and convenience of marijuana to treat a variety of problems. Cammy is a medical patient herself and through periodic use, has found relief from migraines and chronic pain issues that, in her experience, have been far more manageable with marijuana than any other prescription.

Cammy comes to Potology as a partner with a significant background in business operations and sales, and a degree in Interior Architecture and Design. In her early 20's, Cammy had already achieved part ownership of a high-end family Salon in Mountain View, CA where she handled the day to day operations. Her duties included management of the financial activities, human resources and roster of available services. She also was responsible for maintaining health and safety compliance and proper licensure for the all the salon's retail operations. In addition to these duties, Cammy planned events and created advanced training opportunities, coaching and teaching her staff members to emulate current industry trends.

The Salon sold when Cammy was 24 and she was concurrently offered an opportunity to manage luxury apartment communities in Los Altos, CA. As a property manager, Cammy was responsible for ensuring compliance with Fair Housing and the many other complex legal regulations of the real estate industry. She monitored and directed rental activity while providing excellent customer service and ensuring timely collection and processing of rents, reconciliations, collection activities and related court appearances. She was also responsible for overseeing the complete marketing program, which included analyzing market competition, organizing company standards and staging apartments in the various model home communities as an interior designer.

Cammy fell in love with design work and returned to college, earning a bachelor's degree in Architecture and Design. Following her degree program, she worked on many housing projects before a difficult twin pregnancy and prescribed bed rest forced her to put her design career on hold. Cammy devoted her next several years in the Bay Area to the joy of being a new mom, but when her now partner Ron Nguyen purchased his newest home in Costa Mesa, CA last year, she accepted his request for help in designing the remodel. "I was excited to be back at work" Cammy said, "and we are currently still in the middle of designing". The travel back and forth between her home in the Bay Area and Ron's Costa Mesa home became a motivation for Cammy to move nearer to Costa Mesa.

When Measure X was approved last year, Cammy and Ron became interested in designing and manufacturing vape pens that would help patients. That extra push helped Cammy decide to move her family to Fountain Valley. From this location, Cammy will more easily continue her design work while she also serves as the Sales manager for Ron's dental equipment manufacturing company and helps head up the newest venture. Ron's dental manufacturing facilities are currently located in the same building as the proposed manufacturing and distribution company, Potology, LLC. The Operating Agreement for Potology, LLC is enclosed as an attachment.

3. Regulatory Approvals and Compliance

3a. Local Government Marijuana Permitting and Licensing

Potology, LLC is proposing to locate its operations in a newly remodeled and separately secured portion of a building owned by Dr. Ron Nguyen that currently houses two light manufacturing operations for his medical products in Costa Mesa, California. Our secured premises, developed to accommodate the expected workflow that will be guided by our policies and procedures currently under development, are designed to comply with all rules and regulations specified by state and local agencies. Potology intends to successfully acquire and maintain its licensure in good standing and to demonstrate the Company's commitment to exemplary compliance.

As a marijuana-based business, we intend to comply with Costa Mesa Municipal Code, Title 9 relating to Licenses and business Regulations, with special focus on Chapter VI. Marijuana Business Permits, and additional considerations for the local zoning ordinance chapter 21, section 13-200.92. These together govern marijuana businesses lawfully operating in Costa Mesa. More specifically, Potology intends to comply as follows:

9-29.5. Marijuana tax.

- Potology will submit to the City as a licensed medical or recreational marijuana business, an annual business tax of six (6) percent based on the gross receipts of the business. In our three-year forecast, we have calculated our expected contributions separately as manufacturer and added the additional sales value created via branded packaging and distribution. We welcome the City's feedback on this methodology.

3b. Chapter VI. Marijuana Business Permits

Our Company is determined to maintain full compliance with all state and local regulations specifically pertaining to marijuana. The following list highlights specific regulations of Chapter VI for which we wish to make special mention:

9-481. Purpose and intent.

- We recognize the right and responsibility of the City of Costa Mesa to protect the health, safety, and welfare of its residents in general and specifically with regard to the cannabis industry and products, and to enforce rules and regulations consistent with state law. In acknowledgment of this right and responsibility, Potology respectfully seeks a permit to operate a licensed marijuana business within the city.

9-482. Legal authority.

- Pursuant to Sections 5 and 7 of Article XI of the California Constitution, and the provisions of the MMRSA, we appreciate the opportunity afforded us by the City, to apply for a permit to operate marijuana and marijuana-related activities.

9-483. Marijuana business activities prohibited unless specifically authorized by this chapter.

- We believe that our location and our business plan and expertise should enable us to receive an exception to the city prohibition on the manufacture, processing, storing, labeling, transporting, or distribution of a marijuana product to a licensed retailer.

9-484. Compliance with laws.

- We acknowledge and accept our responsibility, as owners and operators of a marijuana business, to ensure that it is always operating in a manner compliant with all applicable state and local laws, and any regulations.

9-485. Definitions.

While all the definitions of this section apply to ours and all other marijuana operators within the city, we call special attention to the following:

- Under a Type 6 Manufacturer license, our primary activity as an operation will be extracting and purifying oil from *Marijuana*, as defined by this section.
- During extraction and purifying activities, we will be producing *Marijuana concentrate*. Our manufactured marijuana will have undergone a process to concentrate the active cannabinoid ingredient, thereby increasing the product's potency.
- We will not be *Cultivating* marijuana.
- We will not be offering *Delivery* service to patients as a *Dispensary*.
- Under a Type 11 license, we will operate a *Distribution* business that procures, sells to other licensees, and transports marijuana or marijuana products as a *Distributor*, holding a valid medical or recreational marijuana business permit for distribution issued by the city and remains consistently in compliance with all applicable state and local laws and regulations required to engage in the business of purchasing marijuana from a licensed cultivator, or marijuana products from a licensed manufacturer, for sale to a licensed dispensary.
- We will be purchasing *Dried flower*, mostly in the form of "trim" from licensed Cultivators or other distributors.
- As a *Manufacturer*, we will produce, prepare, propagate, and compound manufactured marijuana or marijuana products either directly or indirectly by extraction methods, or independently by means of chemical synthesis in our secure location; and package or repackage marijuana or marijuana products and label or relabel the containers.
- The products we produce through our processes will be considered *Manufactured Marijuana* as we are converting raw marijuana into a concentrate or manufactured product intended for internal consumption or topical application.

- Our location is considered a *Manufacturing Site*, as it will be used to produce, prepare, propagate, or compound marijuana or marijuana products, directly or indirectly, by extraction methods, independently by means of chemical synthesis, or by a combination of extraction and chemical synthesis. The facility is owned and operated by an entity who is currently in compliance with all applicable state and local laws and regulations pertaining to the medical or recreational marijuana business and licensed marijuana activities, and who is presently seeking a valid marijuana business permit for manufacturing from the city.
- Our initial market and license type will be limited to *manufactured marijuana, manufactured marijuana product or marijuana products* that are intended to be sold for use by medical or recreational marijuana patients and sold strictly to those retailers servicing patients under an A or M type license.
- We are using the words *Processing* and *processor* with the same meaning as manufacturing and manufacturer, respectively, within this document and our presentations.
- Once approved by the City, we will be applying for the two (2) *State licenses* required by the State of California for a medical or recreational marijuana manufacturing and distribution business; a Type 6 marijuana license from the Department of Public Health (DPH), and a Type 11 license for the operation of a distribution center from the Bureau of Cannabis Control (BCC).
- As a distributor, we plan to offer *Transport* services as we transfer our marijuana products both within our location between licenses and from our permitted business location to the permitted business location of another licensee outside of our premises for the purposes of conducting licensed marijuana activity authorized by the MMRSA. Potology will be considered a *Transporter* while performing these functions.

9-486. Type of authorized marijuana businesses permitted.

- We are applying for the following regulated permits:
 - (1) Marijuana distributor;
 - (2) Marijuana manufacturer or processor;
- We will not engage in the retail sale of cannabis, marijuana, adult-use marijuana, medical marijuana, adult-use or medical use marijuana product, marijuana product, or any other related item.

9-487. Marijuana business permit required to engage in licensed marijuana business.

- We will not engage in any licensed marijuana business or in any licensed marijuana activity within the city until we:
 - (1) have obtained a valid recreational or medical marijuana business permit from the city;
 - (2) have acquired a California State License and;
 - (3) are operating in compliance with all applicable state and local laws and regulations pertaining to the licensed marijuana business and license marijuana business activities.

9-488. Term of permit—Fees.

- We agree to submit in full and within the requested timeline, all fees and taxes required for the issuance of our permit. We hope this effort not only ensures the receipt of our permit, but also demonstrates our motivation to remain in compliance. Potology wishes to fulfill all requirements consistently to ensure receipt of the allowed 2-year extensions that will allow us to continue functioning as a Licensed Marijuana Operation in the City of Costa Mesa.

9-489. Effect of state license suspension, revocation, or termination.

- We acknowledge that a loss, suspension or revocation of licenses issued by the State of California, or by any of its departments or divisions, will immediately suspend our ability to operate within the City until the State of California, or its respective department or division, reinstates or reissues the State license. Should such revocation occur, we will inform the City in compliance with all applicable regulations.

9-490. Denial and revocation.

- Potology additionally acknowledges that our permit can be revoked upon a hearing by the city for failing to comply with the terms of the permit, the applicable provisions of city ordinances, state law or regulation and/or any condition of any other permit issued pursuant to this code, and such revocation will preclude us from operating until the matter is resolved.

9-492. Prohibition on transfer of marijuana business permits.

- City ordinance requires our owners to maintain at minimum a fifty-one (51) percent ownership interest in the company under the requested license. In the event that Potology acquires new investors that are qualified as more than fifty-one percent *Owners* under any applicable statute; or sells or transfers the business to a new owner, we will do so only after the new ownership has applied for and obtained a dedicated marijuana business permit from the city.

9-493. City business license required.

- Potology will obtain a city business license pursuant prior to commencing operations.

9-494. Conditional use permit required.

- We acknowledge the need to obtain a conditional use permit to begin operations.

9-495. Operating requirements for all marijuana businesses permitted under this chapter.

Records and recordkeeping.

- We will maintain accurate accounting records, detailing all revenues and expenses of the business and all of its assets and liabilities. At least annually, (at or before the time of the renewal of a marijuana business permit issued pursuant to this title), or at any time upon reasonable request of the city, we will file a sworn statement detailing our number of sales per month during the previous twelve (12) month period (or shorter period based upon the timing of the request).
- We will maintain and provide upon request, a current register of the complete contact information (name, address, and telephone number), of anyone owning or holding an interest in Potology, and separately of all the officers, managers, employees, agents and volunteers currently employed or otherwise engaged by our business.
- Potology intends to implement and maintain an inventory control and reporting system that accurately documents the present location, amounts, and descriptions of all marijuana and marijuana products for all stages of the production or manufacturing, laboratory testing and distribution processes.
 - Subject to any restrictions under the Health Insurance Portability and Accountability Act (HIPPA), we will allow city officials to have access to our business's books, records, and accounts, together with any other data or documents relevant to our permitted marijuana activities, for the purpose of conducting an audit or examination. This information will be produced no later than twenty-four (24) hours after receipt of the city's request, unless otherwise stipulated by the city.

Security measures.

- We will implement sufficient security measures to deter and prevent the entrance of unauthorized persons into areas containing marijuana or marijuana products, and to deter and prevent the theft of marijuana or marijuana products at the licensed marijuana business. These security measures include:
 - Establishing limited-access areas accessible only to authorized personnel or escorted visitors over the age of 21;
 - Storing all marijuana and marijuana products in a secured and locked room, safe, or vault in a manner that prevents diversion, theft, and loss;
 - Installing sensors to detect entry and exit from all secure areas;
 - Having a professionally installed, maintained, and monitored alarm system;
 - Having security bars on the windows or the doors, as needed only on the interior of the building;
 - Ensuring that any security personnel utilized will be licensed by the State of California Bureau of Security and Investigative Services Personnel; and
 - Maintaining the capability to remain secure and operational during a power outage and ensuring that the integrity of all access doors and electronic locks remains.
- We identify Potology COO, Cammy Hoang, as the designated security representative/liaison to the City. Cammie will be reasonably available to meet with the city's CEO regarding any security related measures or operational issues.
- The Potology CEO will be notified within twenty-four (24) hours of the discovery of any of the following:
 - Significant discrepancies identified during inventory, as set forth in the city's administrative regulations;
 - Diversion, theft, loss, or any criminal activity involving Potology or any agent or employee of our business; or
 - The loss or unauthorized alteration of Potology records related to marijuana, marijuana products, or employees or agents of our business.

Restriction on alcohol sales

- We will not cause or permit the sale, dispensing, or consumption of alcoholic beverages on or about our premises.

Compliance with laws.

- We recognize our responsibility to ensure that we are always operating in a manner compliant with all applicable state and local laws, and any regulations promulgated thereunder.

Taxes.

- We will pay all sales, use, business and other applicable taxes, and all license, registration, and other fees required under federal, state and local law and cooperate with the city with respect to any reasonable request to audit Potology's books and records for the purpose of verifying compliance with these responsibilities.

Insurance.

- We will obtain and maintain at all times during the term of the permit, comprehensive general liability insurance and comprehensive automotive liability insurance protecting us in an amount of not less than one million dollars (\$1,000,000.00) per occurrence, combined single limit, including bodily injury and property damage; and not less than one million dollars (\$1,000,000.00) aggregate for each personal injury liability, products completed operations and each accident, issued by an

insurance provider admitted and authorized to do business in California and rated at least A:X in A.M. Best and Company's Insurance Guide.

Miscellaneous operating requirements.

- We recognize that marijuana consumption is restricted by the city to private residences. As such, we will prohibit consumption of marijuana products on our facility premises and by our employees elsewhere in the City.
- We will not allow marijuana or marijuana products or graphics depicting marijuana or marijuana products to be visible from the exterior of our property or on any of our vehicles owned or used as part of the business. We will not store any marijuana or marijuana products outside.
- We will have in place a point-of-sale or other inventory tracking and invoicing system to monitor and report on all aspects of our business including, but not limited to, such matters as marijuana tracking, inventory data, and gross sales (by weight and by sale). We will ensure that such information is compatible with the city's record-keeping systems and has the capability to produce historical transactional data for review by the city's CEO.
- Any marijuana and marijuana products that are sold, distributed or manufactured by our operation will be cultivated, manufactured, and transported by licensed businesses that maintain operations in full conformance with the state and local regulations.
- Because we are not proposing a retail business and do not plan to engage the public, we will not have a physician located in or near our business at any time for the purpose of evaluating patients.
- We will not implement any business identification signage that fails to conform to the requirements of the city's code.
- We will visibly post at each entrance, a clear and legible notice indicating that smoking, ingesting, or otherwise consuming marijuana on the premises or in the areas adjacent to the licensed marijuana business is prohibited.
- Any signage we use will be limited to that needed for identification only.
- We will not allow any persons under the age of twenty-one (21) years to be on the facility premises whether for the purposes of business or employment. Clear and legible notice will be posted at our entrance prohibiting anyone under the age of twenty-one (21) years from entering upon our premises.
- We will incorporate odor control devices and techniques to ensure that odors from marijuana are not detectable off-site.
- We will post the original copy of our city-issued marijuana business permit and business license inside our business in a conspicuous location.
- We will ensure that every owner, manager, supervisor or employee of our business submits fingerprints and other information deemed necessary by the city's CEO for a background check by the Costa Mesa Police Department, to verify that person's criminal history.
- Loitering outside of the facility by any person, either on the premises, or within fifty (50) feet of the premises, is prohibited.
- Before we establish our business or begin operations, we will first obtain all applicable planning, zoning, building, and other required permits from the relevant governmental agency related to the zoning district in which our business intends to operate.

9-497. Licensed marijuana facility employees.

- We will ensure that any employee or person who otherwise works or volunteers within our business, is legally authorized to do so under applicable state law.

- We will not knowingly employ any person who has been convicted of a felony within the past seven (7) years, unless that felony has been dismissed, withdrawn, expunged or set aside pursuant to Penal Code sections 1203.4, 1000 or 1385, or who is currently on probation or parole for the sale, distribution, possession or manufacture of a controlled substance.
- We will develop and implement policies to ensure that all employees wear an identification badge while on the premises of the business, in the format proscribed by the city's CEO.

9-498. Promulgation of administrative regulations.

- We recognize and welcome the city CEO's authority to establish any additional administrative rules, regulations and standards governing the issuance, denial or renewal of marijuana business permits or concerning any other subject necessary to carry out legal marijuana commerce within the City of Costa Mesa.
- We will comply with all state and local laws and regulations, including but not limited to any rules, regulations or standards adopted by the CEO.

9-499. Inspection and enforcement.

- We welcome the CEO and those charged with enforcing the provisions of the Costa Mesa Municipal Code to enter our location at any time during the approved hours of operation without notice and inspect our location as well as any recordings and records we are required to maintain.
- We will not impede, obstruct, interfere with, or otherwise prevent the city from conducting an inspection, review or making copies of records, recordings or other documents; neither will we conceal, destroy, deface, damage, or falsify any records, recordings or other documents we are required to maintain.

9-500. Violations.

- We recognize that every violation of the provisions of this chapter is considered unlawful and a public nuisance, and that each such violation constitutes a separate violation, which may be subject to all remedies and enforcement measures authorized by the Costa Mesa Municipal Code, including injunctive relief. We recognize also that any permit issued pursuant to this chapter may be considered null and void following the determination of a violation, and that when there is determined to be an imminent threat to public health, safety or welfare, the city CEO, or the chief of police, may take immediate action to temporarily suspend a marijuana business permit issued by the city, pending a hearing before the city council.
- We intend to maintain watchful compliance over all State and local regulations to avoid both violations and threats to public health and safety.

13-200.92. Marijuana Distributing Facilities, Manufacturing Sites, Processing Sites, Research and Development Laboratories, Testing Laboratories and Transport Facilities.

- Fortunately, our facility is situated within the permissible zoning exception to the general prohibition within the City for licensed marijuana distribution, manufacturing, processing, transporting, research and development and testing. We are located both north of South Coast Drive, and west of Harbor Boulevard, excluding any portion of the South Coast Collection.
- Our location is not within 500 feet of Moon Park.
- Prior to operation, we will obtain a conditional use permit, which will allow us to engage in the distribution, manufacturing and processing of marijuana, subject to the following conditions:
 - The requirements of Chapter III will have been met;

- The City will find that all specified requirements for granting our conditional use permit in accordance with Section 13-29(g) have been met;
- The applicant will obtain a marijuana business license pursuant to Chapter VI of Title 9 of the Costa Mesa Municipal Code; and
- The facility will have received its Type 6 and Type 11 licenses and will conduct all business in compliance with applicable state and local regulations.

3b. State of California Marijuana Licensing

The State of California began issuing licenses to marijuana businesses in January 2018. Marijuana manufacturing laboratories using non-volatile solvents in the manufacturing process are required to obtain a Type 6 marijuana license from the Department of Public Health (DPH), while marijuana distribution centers are required to obtain a Type 11 license from the Bureau of Cannabis Control (BCC).

State regulations require that marijuana for medical or adult-use must be licensed under separate "M" or "A" license types. Every person or entity operating a marijuana business must obtain a separate license for each location. Licenses are issued for 12 months, requiring annual renewal, and are not transferrable (BPC Section 26013). Potology presently plans on applying for an A and M type license under the current City ordinance.

According to state marijuana manufacturing license requirements, a Type 6 manufacturing license may be issued for extractions using mechanical methods or nonvolatile solvents as defined by Section 40100 of the California Code of Regulations (CCR). A Type 6 licensee may also:

- Conduct infusion operations on the licensed premises, provided the infusion method is noted on the application form and the relevant information is provided to DPH; and
- Conduct packaging and labeling of marijuana products on the licensed premises.

Additionally, per CCR Sections 5300-5315, a Type 11 distribution license will allow us to:

- Securely transport marijuana products between licensed cultivators, manufacturers, other distributors, and retailers;
- Store marijuana products for other licensees;
- Receive marijuana products designated for the retail market; and
- Engage a licensed testing laboratory to test and provide analysis for marijuana products designated for the retail market;
- Collect marijuana cultivation and excise taxes payable to Department of Tax and Fee Administration; and
- Be responsible for final release of marijuana products to the retail market after conducting a set of quality assurance and control procedures, including laboratory testing, to ensure those products are appropriate for consumer inhalation, consumption, or absorption.

Potology is pursuing a Type 6 and Type 11 license for the purposes of manufacturing and distributing its own marijuana products as well as other brands to the retail market. As state licensees, we intend to perform all of the aforementioned activities, as well as any other designations and privileges allowed to such licensees. We also intend to comply with all state regulations governing these marijuana licenses, which include:

- Periodic inspections by state regulators;

- Recordkeeping audits and reporting;
- Annual state license renewals;
- Compliance with required standard operating procedures (SOP)s
- Establishment and implementation of required protocols; and
- Responsibility for all Potology employees, including:
 - Employee actions while on the premises of our proposed facility,
 - Regular training for continued education, safety, and compliance; and
 - Enrollment with the Employment Development Department.

3c. Licensure Priority

We do not anticipate receiving expedited processing of our state annual license application.

3d. Licensing Maintenance

A state marijuana licensee must submit an annual renewal to remain active. Licensees are also subject to unscheduled inspections and compliance with state requirements for standard operating procedures (SOP). We have included a draft copy of our SOP's as a demonstration of our commitment to operating a well-organized, efficient, and accountable marijuana manufacturing and distribution facility.

COO, Cammy Hoang, will be responsible for all compliance matters and will be implementing a training program for all employees based on our final standard operating procedures, as they are submitted to the state with our annual application.

3e. Substantially Related Offenses Review

No Potology owner or manager has committed a substantially related offense, as defined by CCR Section 5017. Additionally, no partner has received any violation from any city or county for any business, planning, or building matter. Additionally, no owner has been convicted of a felony within the past seven (7) years, unless that felony has been dismissed, withdrawn, expunged or set aside pursuant to Penal Code sections 1203.4, 1000 or 1385, or who is currently on probation or parole for the sale, distribution, possession or manufacture of a controlled substance.

3f. Labor Peace Agreement

The State of California requires all marijuana licensees to execute a Labor Peace Agreement with a local union if the licensee employs 20 or more employees. While we plan to employ up to 12 people, should Potology employ 20 or more employees in the future, we will execute this agreement with a local labor union. Our employees will receive fair wages and will be allowed to join a union of their choosing.

3h. California Environmental Quality Act

All public agencies in California are required by the California Environmental Quality Act (CEQA) to conduct an environmental assessment of any action they make that has the potential for resulting in a physical change to the environment. We anticipate our project being categorically exempt under CEQA for minor land use modifications and other categories deemed appropriate by the City.

4. Premises

Potology LLC will lease and contract significant tenant improvements of the 3,166 square foot space in Building H, located at 3505 Cadillac Avenue to build out our manufacturing facilities (Type 6 License). Building H is owned by Dr. Ron Nguyen, primary shareholder and sole managing member of Potology, LLC.

This building is within the area identified by Costa Mesa as the most effective location for the city to enter the licensed cannabis industry, in addition to being in close proximity to other applicants and approved permitted businesses. Together, we will operate in a safe, secure and compliant manner to ensure that the City's trust in our collective group is well placed.

With the help of a series of professionals, including architects and experienced cannabis consultants, we have developed a comprehensive build out plan and workflow, as well as environmental and neighborhood analyses that are discussed in this application and attached as exhibits. The building is owned by Potology manager Ron Nguyen. The lease and operating agreement for Potology, LLC are also enclosed as attachments.

4a. Neighborhood Context

As mentioned above, our property at 3505 Cadillac Ave. Building H, is zoned as industrial and has been specifically selected and approved by the City Council as part of a small block of properties that may be used to operate a limited range of marijuana operations, including our intended Manufacturing and Distribution activities.

Potology LLC's proposed use for building H, is consistent with the current zoning designation and does not require additional entitlements or land use variances, other than those required for operating a licensed cannabis manufacturing company. The surrounding area of 600 feet does not contain any businesses that are determined as sensitive use areas such as schools or daycares. (Please see attached 4a. Costa Mesa Radius Map).

4b. Property Context

Our property was planned and developed to house businesses of a light industrial and commercial nature such as Potology (Please see the attached 5. Potology Labs Plan Set). The area on which the building is located contains a small parking area as well as a wealth of common parking nearby in the business park. A secured steel rollup door in the transport area will allow delivery vehicles to pull into the transport area and be enclosed and secured before loading or unloading product.

Our licensed space will be accessed by employees and visitors through a secure door used solely by Potology, LLC. This secure door is located around the back of the facility, away from the other tenants' entrances. The entrance area will be managed by staff and monitored by video surveillance cameras. Transport vehicles will be allowed to enter the secured rollup door and into a mantrap space where our staff will conduct a security sweep and verify credentials after the doors are shut. Access from the rest of the building into Potology Manufacturing and Distribution Spaces will be restricted to only employees with authorized Key Cards. Each entry into our licensed premises from the rest of the building will be monitored by surveillance cameras and motion detectors.

4c. Premises

The premises are already improved and occupied by businesses that produce medical equipment and related support services, and which are owned and operated by Dr. Nguyen. By utilizing the storage and assembly spaces in Building H, Dr. Nguyen has carved out a completely separate area to house the operations of Potology, LLC.

Our distribution premises will utilize a secure shipping and receiving area that forms a mantrap that is separate from the lab and inventory to coordinate deliveries into and from our facility. The inside cannabis waste management system will be located adjacent to this shipping area, and accessible only by employees and contractors.

The manufacturing and inventory storage space has been carefully organized and laid out to support the workflow of cannabis, from raw material to finished goods, including all required quarantine steps, to produce the most efficient operation possible. We worked closely with our design team to build in specific areas which will support each step in a compliant process with a special emphasis on testing, track and trace compatibility, and security.

4d. Proposed Improvements

In order to implement our plan, we will need to make significant improvement to the area of the building we intend to use. Our buildout, (See attached Proposed Floor Plan), is designed to be responsive to the growth of industry and product demands. To enable expansion, our premises are designed to be modified by reorganization of workflow, or lateral expansion to increase workflow volume. To accomplish this, we will need to make the following improvements to the interior of the west wing:

- Interior wall and door modifications;
- Build-out of a room designed for CO2 extraction and non-volatile manufacturing activities;
- Additional rooms for other distribution, transport and packaging activities;
- Electrical and ventilation upgrades per commercial building and fire codes;
- Offices and employee areas;
- Security areas for raw cannabis material quarantine and storage;
- Security areas for tested and finished products;
- Key card entries as noted on Proposed Floor Plan as well as other security measures;
- Surveillance cameras, monitors, and printer installed;
- Safety fixtures and equipment installed.
- Secured mantrap transport area

Upon receiving approval for our business and zoning proposal, we will work with the Costa Mesa fire, and health departments to install a quality and permitted buildout that meets all applicable codes.

5. Business & Operation Plans

Starting Small & Conservatively

A quick review of our attached building plans and proposed product mix will most likely reveal a relatively conservative approach to the available marijuana business opportunity when compared to some of our

neighboring applicants. At present, we are dedicating only a portion of the building that Dr. Nguyen owns to this operation and focusing on one key “new user” product for several reasons:

- The new state marijuana licensing structure at the retail level throughout the state and Southern California in particular, is in a state of growing and changing. It is certain that regulations and requirements will grow and change with it, making a focused approach a sound way to weather the inevitable stormy waters of progress;
- The cumulative impact of consumer preferences on available products and their related costs, in a rapidly evolving industry, makes specializing in a focused market niche attractive and sustainable;
- The specific division of licensing and number of licensed retailers holding Adult Use (A) and Medicinal (M) permits, and those channels through which our products can be legally distributed to consumers, is a factor of competition which has been found to have an impact;
- The economics of a manufacturing operation, specifically including:
 - Wholesale supply chain proficiency and pricing of the trim we require to produce our products;
 - Wholesale and retail pricing that licensed retailers and their consumers are willing to pay;
 - Supply and demand dynamics within the legal supply chain, and the impact any remaining black or gray market forces play in this economic evolution;
 - The economies of scale of a bigger production space, the use of additional shifts, or taking advantage of advances and availability of new technology and equipment, including levels of safe, secure automation.

We think it is prudent, not only for our investment, but also for the long-term stability of our company and its ability to profitably operate and duly submit all the required taxes and fees imposed by the City of Costa Mesa and other regulatory agencies. Our company culture prizes the work of building strong foundations, one successful step at a time.

Core Competencies

At Potology, we will focus on developing and continuously improving in relation to the following core activities:

- Securing the operation and products from all threats to our team, retailer clients, and their patients' safety;
- Obtaining the appropriate raw dried cannabis material from licensed cultivators in California that results in the highest, cleanest yields;
- Operating a clean, safe, secure and efficient extraction operation using engineer-certified, closed-looped equipment, as required by the state Department of Public Health
- Earning clean test results from licensed third-party testing labs thanks to the nature of our raw material and our compliant and safe techniques;
- Using state compliant and market accepted packaging and labeling to build brands in several niche markets as well as capturing a good share of the mass market as available;
- Building a strong, reliable and compliant distribution network of licensed retailers within the Southern California market for our own branded packaged goods and those of other manufacturers and brands;
- Calculating, collecting, and remitting all required taxes to local, state, and federal agencies;
- Maintaining an impeccable and accurate inventory with the Track and Trace system at all times;

- Creating, maintaining and storing compliant business records to ensure accurate and timely production of any required data.

The success of our leadership in many ventures gives us the confidence to assert that we have what it takes to ensure the long-term growth and success of Potology within the implementation and perhaps tumultuous evolution of a legalized marijuana industry in California.

5a. Target Customer



As our logo hopefully symbolizes, we intend to market Potology to informed, educated, responsible cannabis patients and consumers. We anticipate a large portion of Potology patients coming from the recently-termed "new" market, signifying consumers that have not been a part of California's longstanding black or gray markets. New consumers of marijuana are relying heavily on the local and state government involvement in the supply chain for safety. It is anticipated, based on our market research, that these individuals will first seek out information and review products before moving to acquire the highest quality, most appropriate strains and types that will relieve their chronic conditions.

This "new" patient segment as well as a large part of the legal patient population have been proven to support and enjoy the use of oil cartridges attached to battery-powered vaporizer pens. These cartridges may contain additives such a scent or flavor, while others present a more natural cannabis experience. Our cartridges will contain concentrated cannabis with a wide range of flavor profiles, potency levels and effects. Intended patient outcomes will range from mild relief of day-to-day pain and stress to more powerful effects that enable a great night's sleep or management of severe and chronic conditions.

With the collective medical background of the Potology team, we have identified two market trends that are of particular interest within our target market. The first product our target group has been proven to appreciate, is a vape-style cartridge with "low THC dosage". With low dose products, the concentration of the Tetrahydrocannabinol (THC) compound that causes the psychotropic reaction commonly known as feeling "high", is significantly lower than other cannabis products. The consumers most likely to use this type are those that desire the relief from pain that high-dose medications provide but require them more consistently during the work-day or during other activities where higher levels of functionality are necessary.

The other market trend we have identified, which is even more scientifically compelling to us than the first, is known as "high CBD" concentration oil. Cannabidiol (CBD) is a highly therapeutic and non-toxic substance, which is found in at least trace amounts in virtually all marijuana flowers and extracts. Specific marijuana strains have been developed that yield an incredibly high concentration of CBD. CBD has very mild, if any negative side-effects and actually serves to counter or lessen THC's psychotropic impact.

Marijuana researchers across the globe are excited about the potential benefits of CBD that cover a wide range of issues.

Potology will be joining the scientific exploration with its production, experimenting with co-extraction of strains with various levels of CBD, as well as using strains grown specifically for their elevated CBD levels, to produce beneficial new products for this market. Cartridges with a 20:15:1 or even 1:1 ration of CBD to THC, are already being marketed at profitable rates in some parts of the legalized marijuana industry.

As micro-brands or niche brands are becoming more popular among all consumer products, Potology will likely not be the only brand manufactured within our facility. We anticipate drawing upon our medical background, especially as more research data is produced, to create additional brands that are more scientific or clinical in nature and appeal. We may also seize upon our Vietnamese and Asian background to produce a brand(s) specific to our community's needs.

Additionally, as a manufacturer with capacity that may not always match the demand, we are able to create for our own products, we may take on contract work with other brands who have established a presence of their own and need safe, professional extraction and packaging. We believe there will be an opportunity to sign licensing agreements with brands and individuals that have great market potential.

5b. Business & License Types

We are applying for the right to operate a **Type 6 Nonvolatile Solvent Manufacturing** business focused on extraction of the healing oils found within the marijuana plant via closed loop CO2 Extraction. As a result of the proven equipment in which we will invest, the training we receive on how to operate it, and a team-wide implementation of our Standard Operating Procedures (SOPs), we are confident our manufacturing facility will produce market accepted, compliant, and safe products.

To help spread our overhead costs and to have the highest chances of success in the market, we will also operate a **Type 11 Distribution** business. This operation will start small, focusing on the safe and secure transport and handling of our own products. As we gain a sound foothold on our own processes, we plan to incorporate work for other local businesses, to help them grow in a compliant manner without having to invest in the upfront costs, such as licenses and staffing to operate their own distribution company. Our target partner will offer vape pens intended to develop a strong brand presence in other parts of the state or even throughout the US, which we may distribute or produce under licensing arrangements.

We have become quite versed in the State of California's requirements for both of these licenses and based on our understanding and past abilities to operate in regulated industries, we are very confident that if given the City's permission, we will be able to successfully generate significant levels of revenue for the City, as well as secure jobs and upward mobility for our team in a potentially sprawling new industry.

5c. Build Out & Start Up Budget

Build Out & Startup Budget

We have consulted with marijuana industry experts from both other legal states and the previous medical market in California to develop a detailed, conservative financial model for our facility's buildout and startup phases. As a result, our buildout has become part of a larger renovation project to restructure the interior of our building as a means of facilitating the growth of our sister tenants, while creating the secure, compliant and scalable operation described within the pages of this application. To this end, we

are accepting the portion of the expense allocated to Potology and submitting a timeline under which all the involved parties can best operate.

Since we will not be cultivating any marijuana but rather purchasing trim from licensed cultivators, our operation will be able to begin extracting almost immediately following final approvals and generating revenue within three weeks of that time. We anticipate that our operation will be mostly self-funded post construction. The only constraint our team currently acknowledges relates to our initial plan to forgo the utilization of our full 24/7 operating capacity while we take the time to learn the marketplace and fine tune our operation. A detailed buildout plan and startup budget is attached.

5d. Proof of Capitalization

Please see attached Proof of Capitalization regarding the net worth and liquid assets of Member Dr. Ron Nguyen who has committed to fund the entire project as needed.

5e. Schedule for Beginning Operation

Initial Phase

We anticipate beginning our small extraction and distribution operation in 3166 ft² of our 6,379 ft² facility. Our manufacturing premises will begin with one extraction machine producing our supply of oil to be packaged into cartridges. Our facility layout is well thought out and comprehensive, providing sufficient secure, task-oriented and dedicated space for each step of the process. The remainder of our phase one build-out will house our distribution operation.

Our anticipated flow for buildout is illustrated in the following chart:

Flow Chart 1 - Gantt Chart of Approvals and Build-Out

Task	2018			2019			
	Q2	Q3	Q4	Q1	Q2	Q3	Q4
City Review							
Business Permit Approval							
Entitlement							
Build-out							
Certificate of Occupancy							
Temporary State License							
Annual State License							
Begin Operations							

5f. Pro Forma Financials – Three Years

Please see Attached – 3 Year Pro Forma for a detailed projection of our planned operation and expansion as the legalized marijuana industry takes shape in California and Southern California. Variables have been considered that relate to shifts in production, pricing (both wholesale and retail), competition and levels of acceptance by the “new” market we intend to capture. Predictions regarding these variables are based

on the evolution in other legal marijuana states over the years, with particular recalculations based on the size and cultural components of life in California.

Future Potentials

As our operation finds its place in the market and expands to the limits of its initial scale, we may seek the City's permission to add additional capabilities to either manufacturing, or distribution capacities, or to both. We recognize that this means re-initiating the process of acquiring appropriate licensure and/or permits, disseminating requisite notifications and obtaining any necessary permissions required for such an expansion, and we are prepared to follow all necessary guidelines to this end.

Our approved manufacturing and distribution activities will provide us with the experience to determine the remaining building square footage future operations will require as we periodically approach the City regarding permits for our anticipated expansion. If our operations are successful and the growth of the cannabis industry assured, Dr. Nguyen is prepared to dedicate the entire building to Potology activities, relocating the sister companies to an area that does not require special marijuana zoning.

5g. Conformance with Local and State Laws.

Please see section 3 of this document for a comprehensive set of promises and pledges to comply with the City of Costa Mesa codes, as well as the State of California's interconnected sets of regulations, ordinance and codes related to marijuana industry participants. We have designed our premises, workflow, products and finance models with these regulations, in mind as you will see throughout all parts of this application. We recognize that some of the current regulations are still Emergency laws and subject to adjustment upon final passage and are prepared to maintain our compliance as regulations shift and evolve.

5h. Daily Marijuana Operations

Having combined the knowledge of other experts with our own proficiency in the use of medical equipment manufacturing, we are confident that our facility layout and supporting Company SOPs will enable us to consistently produce low cost, high quality oil and finished goods. Potology will achieve this goal without creating unnecessary waste or inefficiencies or taking any risks that would jeopardize the safety and security of our staff or products.

Hours of Operation

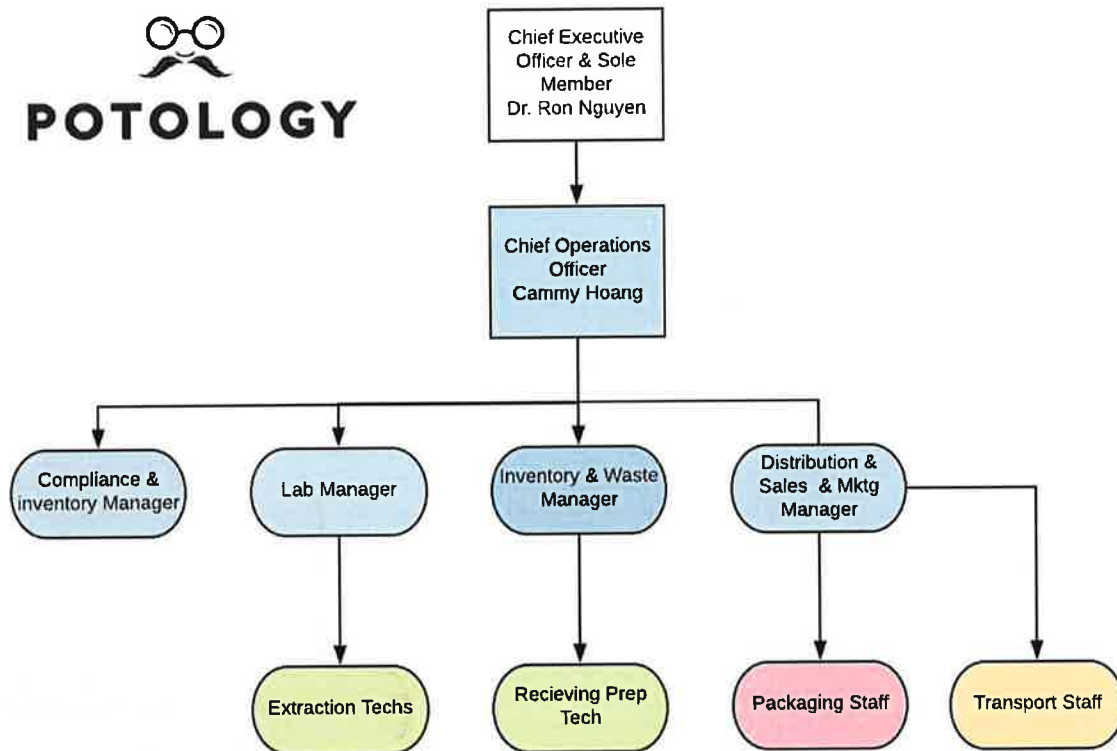
We intend to operate our laboratory and distribution packaging operations 24/7, excepting time for required worker breaks and shift changes. Our distribution premises will conduct deliveries between 6am-11pm Monday through Sunday.

Number of Employees

As you can see from the Organizational Chart below, many of the company roles will be initially fulfilled by the same individuals to ensure we develop the proper techniques and practices for future growth. The chart is color coded to emphasize the full scope of roles that will accompany each defined position.

Cammy Hoang, acting as the Chief Operations Officer (COO), will initially fulfill the responsibilities of all management roles highlighted in light blue. Cammy will oversee a team consisting of two (2) to three (3) additional members for the manufacturing processes highlighted in green, and a team of two additional persons for the packaging process highlighted in pink. Additionally, we anticipate hiring a part-time transport team member to assist with the distribution of our packaged products.

Our initial expectations are a staff of no more than 8 members. Additional team members will be added as determined by our market response, to facilitate additional production hours and increase inventory.



Third Party Vendors/Consultants

We expect to utilize the services of a few outside parties to be able to reach our potential and manage our team size and expense appropriately. Outside parties whose services we may utilize include:

- A licensed Security Firm
- HR/Payroll Services
- Be Green Legal – A consulting firm based in Sacramento that has extensive experience in many facets of the legal marijuana business, including compliance, human resources, operations, marketing and brand building, packaging and supply chain management.

Supply Chain

A description of our supply chain is best achieved by outlining the areas of our operations it supports. These are as follows:

- Dried Flower Trim
We will use a network of licensed cultivators carefully selected for the quality and value of the dried flower trim they provide. Factors such as potency, cleanliness, flavor, freshness and the logistics of acquiring and efficiently storing the material will be of the utmost importance. Given our limited

storage space, we are likely to prefer more proximate suppliers who agree on a contract price and have a fairly regular and consistent supply if available. We may also enlist the service of other distributors to locate and source this material as needed.

- Equipment

We have submitted detailed product information along with this application and highlighted the benefits of several pieces of equipment, such as the Apeks Supercritical 5X20 Mid-Range 2000PSI Closed Loop Extraction machine and others. Each of these items has come highly recommended, is supported widely in the industry and has ample product reviews and references as well as a stable supply of parts and repair option as needed.

- CO2

We intend to use AirGas commercial grade CO2 for use in our closed loop extraction system.

- Testing

Our plan for testing is to utilize the services of fellow licensees within close-proximity to our shop, who have established themselves as reliable, reputable and compliant testing facilities. As new guidelines for legal testing infrastructure are yet in their infancy, such reputable companies are not presently available, however we anticipate the availability of such facilities to coincide with the current efforts of our own and other companies seeking licensure at this time and will update the City once we have established a dedicated testing facility for our operations.

- Packaging

CARTRIDGES & BATTERIES:

We anticipate using the services of a fellow OC/LA business, Med-ePen, now part of the publicly traded KUSH Bottle company, to design, manufacture and store the vape cartridges and any matching pens or cases that we create for our brand(s). They have a track record of performance in several legal states with the leading brands and have the bandwidth to assist us in many areas.



COMPLIANT CHILD RESISTANT (CR) BOXES:

We anticipate using the patented SunGrown Packaging Child Resistant boxes shown here. These boxes can be customized as to their color, but have a proven track record of safe, secure protection from children thanks to a very sophisticated drawer and locking wings design.

- Retail Ready Products

Our distribution facility will produce a combination of retail-ready products that include Edibles, Beverages, Topicals, Vape



Cartridges/Pens, Concentrates, Tinctures and Capsules that will be distributed to licensed retailers for sale to legal cannabis consumers.

- Waste Management

We plan on investing in an incredible waste management system that will include a Bokashicycle Marijuana Waste Granulator (details attached), or similar system, which we will use to convert any marijuana waste into a fertile compost inside of our facility. Composted cannabis waste reduces landfill volume, transportation expense and the related pollution. Additionally, we will select from the licensed cannabis waste services within Orange County to remove accumulated composted cannabis waste that cannot be repurposed onsite. Traditional cardboard waste will be recycled.

- Banking

While the difficulty of banking for marijuana has received enormous press coverage, several solutions, including a potential to permit traditional banking now in front of Congress, have emerged. The State of California is actively pursuing solutions to our industry and several other states have what most would consider regular commercial banking in place, that includes extensive compliance tracking to support the state and federal concerns. At this time, an exchange such as Amercanex would likely be our platform of choice.

5i. Track & Trace – Inventory Management & Compliance

Seed to sale tracking follows the movement of marijuana and marijuana products throughout the supply chain (from cultivation to sale). The seed to sale tracking is an IT-based system. Also known as track and trace, seed to sale tracking is a tool to prevent product grown outside the legal framework from entering the regulated market and regulated product from being diverted to the black market.

The California Department of Food and Agriculture will establish the track-and-trace system for medical cannabis and non-medical cannabis. The state awarded METRC as the seed to sale tracking provider. METRC is the same provider for Oregon, Alaska, and Colorado.

It should be noted that seed to sale tracking is different from accounting, a point of sales (POS), inventory management, or an ERP system. Seed to sale tracking relates to cannabis compliance (tracking inventory).

Inventory management is going to be one of the most important processes in our organization, as approximately 75 percent of the marijuana violations and fines in Colorado have been related to poor inventory management and we expect the same to occur in California. In summary, we want to make it easy for both local and state regulators to review our inventory records. As such, we have designated Cammy Hoang as our inventory manager who will be responsible for inventory data entry and reconciliations every 14 days, as required by the state.

We will also track and trace our products through chain of custody records at every step of processing, from initial intake of the raw material to oil production, finished goods, and through the distribution process, including testing batch sizes. We will also be able to address any potential recalls, should a batch come into conflict with consumer security.

To ensure 100% awareness and accuracy of our inventory from raw material through batch processing and onto finished goods, we plan to use the state supplied seed to sale tracking system once it is made

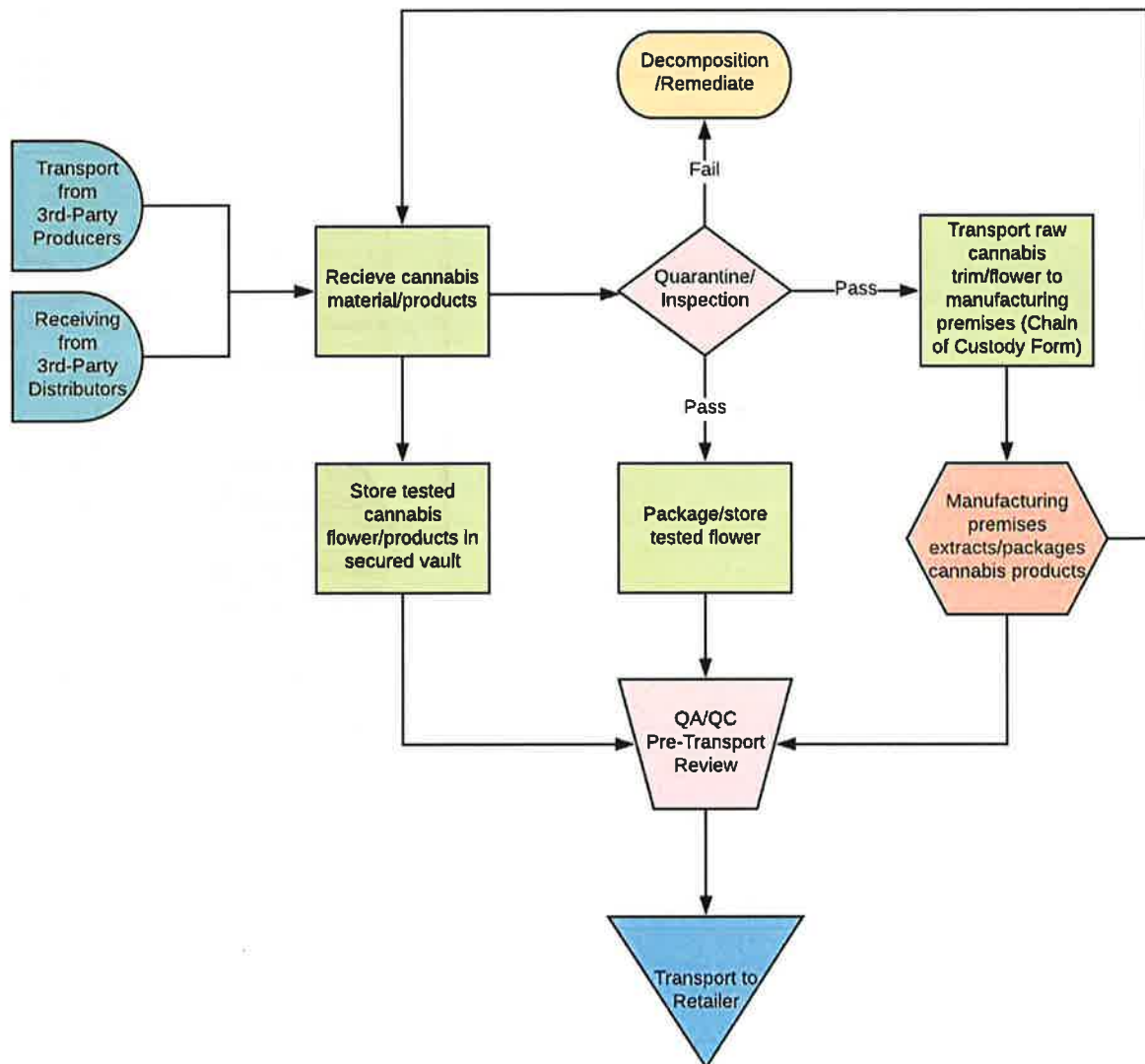
available, which would likely closely correspond to our anticipated opening after the tenant improvements.

We will also keep a close eye on our wholesale client dispensaries to ensure that they have kept their operation licensed and are still eligible to purchase from our company

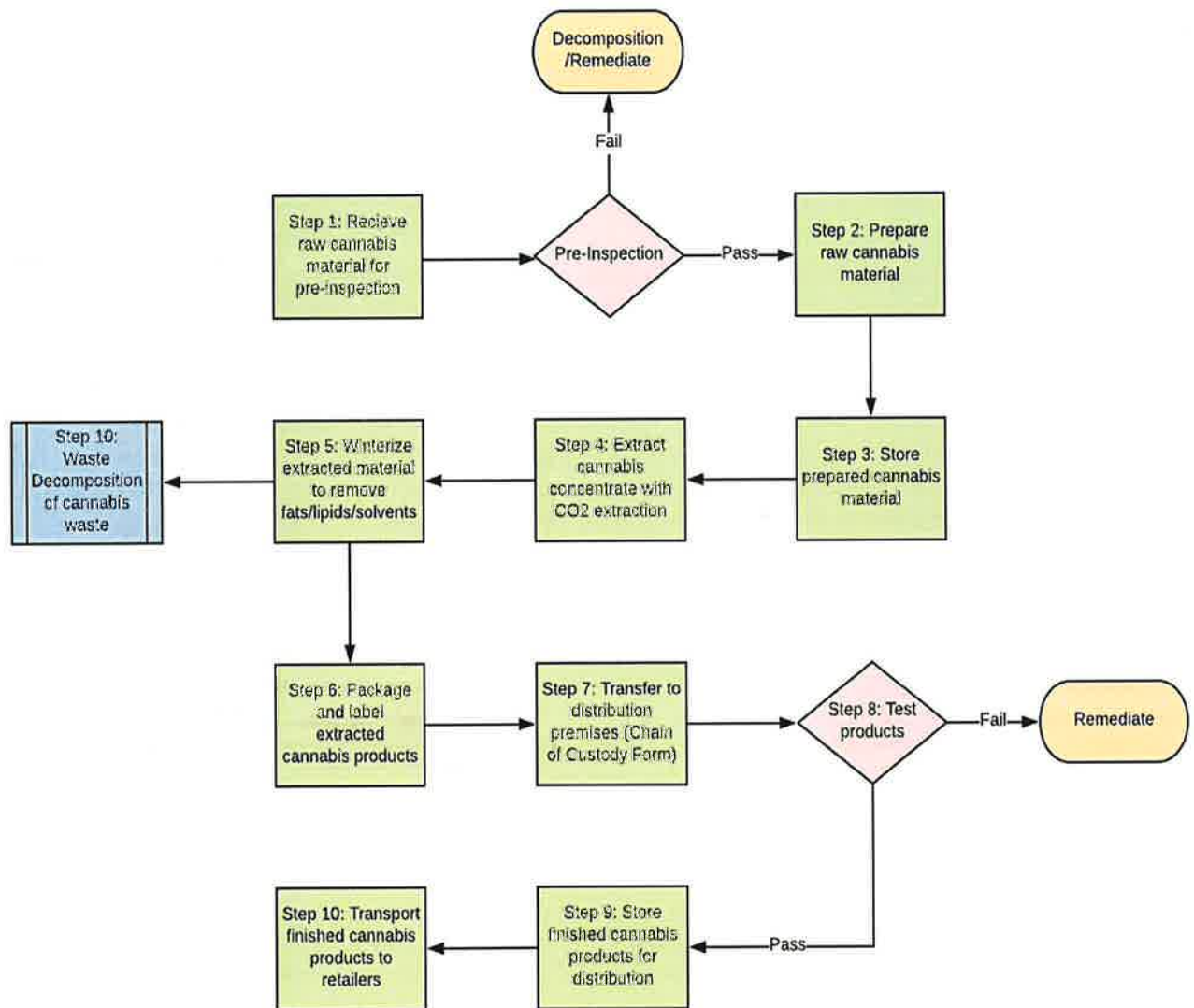
5j. Manufacturing, Storage & Distribution Workflow

The following diagrams illustrate our processes for cannabis extraction using CO2 solvent methods and distribution of the finished products. Additionally, our licensed distribution premises will distribute third-party marijuana flower and manufactured products, which may be sourced from cultivators and manufacturers, or received from other distributors.

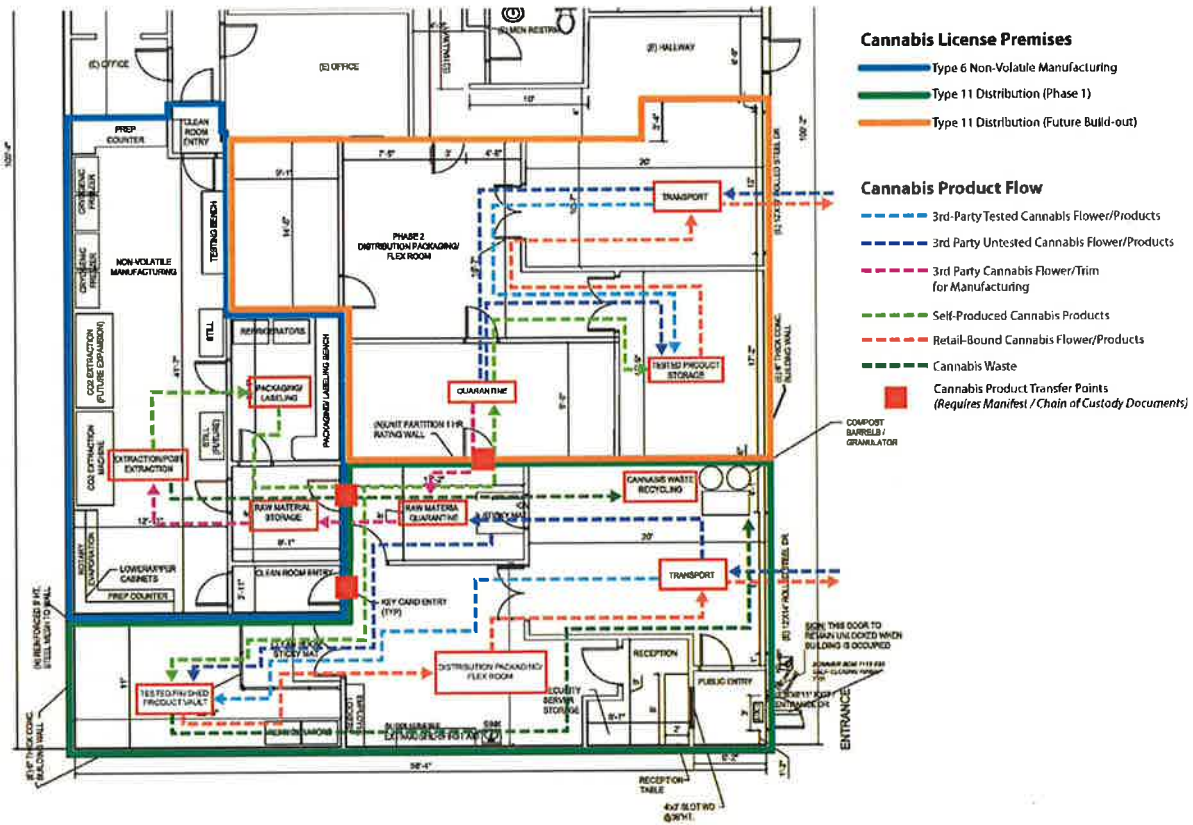
Distribution Workflow



Manufacturing Workflow



Workflow Diagram Applied to Floor Plan



Our business is broken down into two licensed operations – (1) **non-volatile manufacturing** and (2) **distribution**. The first flow chart above details all the steps anticipated for our licensed distribution premises while the second flow chart illustrates the steps we plan to take in extracting and creating cannabis products from raw materials. The facility diagram above further illustrates how marijuana products will flow through each licensed premises. A larger format diagram can be found in 6h. *Figure 2 – Cannabis Workflow*. In summary, our distribution work flow includes the following steps:

1. Raw cannabis flower, trim, and cannabis products arrives, either from our employed transporter or visiting vendor to our distribution premises.
2. All cannabis materials and products are documented with a manifest and chain of custody form.
3. Untested cannabis materials and products are quarantined while cannabis materials and products that have already been tested and are received from a third-party licensed distributor are stored in our secured vault after inspection.
4. Quarantined material slated for manufacturing is pre-tested for microbials and pesticides and then transported via shipping manifest and chain of custody form to our manufacturing premises;
5. Untested cannabis flower and products are officially tested and stored in quarantine until a Certificate of Analysis is received from the testing laboratory.
6. Cannabis materials and products that do not pass inspection are either remediated, composted onsite, or hauled to a local landfill after being destroyed.

7. Cannabis materials and products received in bulk will be packaged and labeled in our flex room and then stored in our secured vault.
8. Once our manufacturing premises completes preparation, packaging, and labeling of our cannabis concentrates, our distribution premises will receive these products accompanied with a shipping manifest and chain of custody form. These items will be quarantined until testing is completed, as described above. If products pass testing, they will be stored in our secured vault.
9. Retail-ready cannabis products in our secured vault will be loaded onto our transport vehicles when a shipment is needed and transported to the desired retailer. Transport will be accompanied by a shipping manifest and chain of custody form.

Our manufacturing workflow is as follows:

1. Raw cannabis material is received from our distribution premises accompanied with a shipping manifest and chain of custody form. It is then stored in our storage room until needed for extraction.
2. When ready, our staff will then process the cannabis material using CO2 extraction.
3. The crude cannabis concentrate is purged and processed through a winterization procedure, using freezers and ethanol.
4. The product is then purged of any residual solvents using vacuum ovens and packaged into cannabis products with state-required labeling.
5. Cannabis products are then transported back to our distribution premises accompanied with a shipping manifest and chain of custody form and quarantined to await independent testing analysis.
6. If the products pass lab test analysis, they are stored in secured cages inside our inventory storage room.
7. Once an order is ready for a retail delivery, products are escorted by two employees to our secured transport vehicle and finally to the retailer.

As our forecast predicts, the following will be occurring within the timeframe listed during our first year of operation on average.

Step	(UM)	Per Day	Per Month
Extraction	Lbs - Dry Trim	22 lbs	352 lbs (16 hrs/Day Sched)
Oil Production	Grams – Crude Oil	999 grams	15,984 grams
Vape Oil Refinement	Grams – Vape Oil	699 grams	11,184 grams
Carts Filled	Cartridges -½ Gram	1,049 cartridges	16,784 cartridges
Wholesale Rev 25%	USD \$	\$1,748	\$27,968
Retail Rev 75%	USD\$	\$15,731	\$251,696

Packaging and Labeling

For both distribution and manufacturing premises, our packaging and labeling team will carefully measure each unit we produce or package for resale using a certified scale. They are charged with measuring to the second decimal point to ensure that our customers get exactly what they pay for. Additionally, a series of information must be attached to each package informing the patient of several valuable pieces of information, such as:

- The testing laboratory's identity;
- The exact, test-confirmed potency of the batch they are receiving;

- Certification that the product is free of pesticides, residual solvents, and microbial impurities;
- The strain name; and
- Other information and warnings needed to ensure the patient's safety.

Testing

As the primary responsibility of a licensed medical or recreational marijuana distributor, our operation will ensure that all products entering our premises will be tested by a licensed cannabis testing laboratory in compliance with state regulations. Specifically, this process includes inviting a testing lab representative to our distribution premises and allowing the representative to collect samples of the products to be tested while recorded on camera. The testing lab representative then transports the samples back to their lab and testing ensues. Once completed, our distribution operation will receive a Certificate of Analysis from the lab with the testing results. If the cannabis product passes testing, it is cleared for storage in our secured vault to await sale to a retailer. If the cannabis product fails, the batch is either remediated or destroyed and taken to a landfill.

Delivery and Transport

Deliveries to the facility will be scheduled in advance and securely received in our transport areas just like our own distribution intake. Facility transport vehicles will be routinely out on deliveries during the day, leaving the transport area open for incoming product deliveries. Company transport vehicles not en route during the day will be temporarily parked in available parking spaces.

Once the packaging, labeling, and testing has occurred, our **inventory and shipping team** will take the lead and fill the orders that have arrived from our licensed California dispensary clients. Our management will use the following protocols to ensure products and employees stay safe:

- Two employees will hand-carry products to be delivered from the distribution facility's secured inventory room to the designated transport vehicle in the loading area, only when the vehicle rollup door is closed;
- Transport vehicles will be equipped with:
 - A GPS tracking device;
 - A separately locked cage or compartment within the vehicle for safe storage during transport;
 - One or more surveillance cameras recording all events during transport;
 - A panic button or other alert device for emergencies;
 - A first aid kit, emergency kit, roadside assistance kit, and fire extinguisher; and
 - A secure safe dedicated to transporting cash;
- Delivery drivers will leave the manufacturing and distribution facility at 6am and return by 11pm Monday-Sunday, with the exception of an unavoidable delay due to traffic, weather, or other challenge.
- Distribution staff will only interact with other licensed marijuana licensees, including cultivators and retailers.
- Cash and checks, if any, will be carried in an enclosed and locked cassette or case at all times and stored in the vehicle's safe when in transport. Any cash in the vehicle at the end of each day will be placed in the facility's secured inventory room and stored in a secured safe bolted to the floor.

5k. Storage Capacity & Vehicle Information

Warehousing Capacity

We are limited in overall space but expect to be able to hold at a minimum 7 days' worth of finished goods production at any time. While we break in the equipment and get our systems dialed in, our onsite storage will likely be at least one week worth of supply or approximately 15,000 packaged cartridges. Additionally, we expect to store up to 200 pounds of retail-ready packaged cannabis flower.

Our storage capacity from the production of products will be relieved by regular sales of finished goods to licensed Type 9 delivery or Type 10 storefront retailers. We will not be using any off-site storage of our own. However, if space becomes an issue, we have two reasonable release valve options:

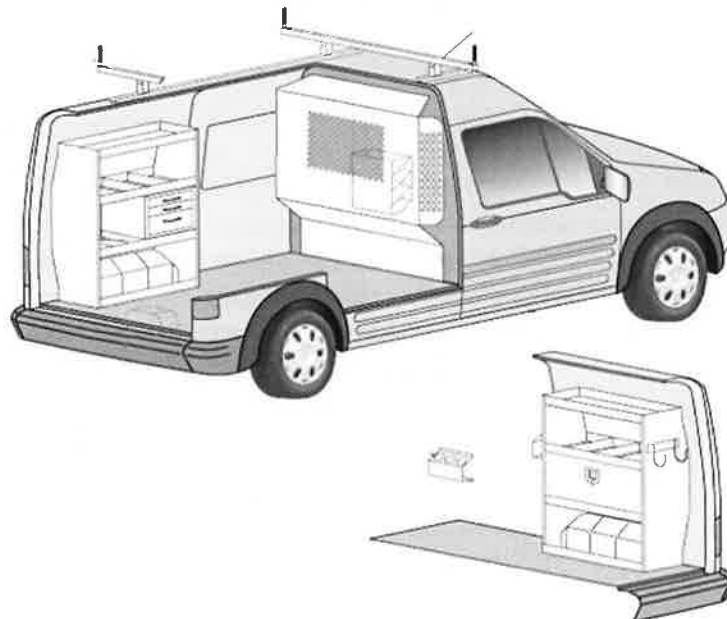
- Sale of bulk crude or refined oil to other manufacturers;
- Volume Sales of packaged finished goods to other distributors for their retail clients.

Vehicles

We anticipate using an unmarked Ford Transit for our transportation to and from licensed retailers and potentially to transport the dried trim we acquire. Our fleet will begin with one vehicle and may expand to two vehicles following the expansion of the facility. Transport vehicles will be parked in the transport areas overnight. Initially, we will use just one customized vehicle. This vehicle will have no back windows and will be fitted with a security barrier between the driver and cargo area, as well as locked storage boxes bolted through the floor to secure the cargo. We will install GPS and video camera(s) within the vehicle, maintaining constant tracking and communication capabilities.

Depending on the destination, we will take traffic and parking at the retailer into account and may send an additional transport team member to enable Car Pool lane usage and to avoid having to park during the delivery. The following illustration is an example of some of the customization options available for a Ford Transit. We may consider these or alternative options that meet our specific needs.

Ford Transit Schematic



5l. Waste Management

Our waste management system will include a Bokashicycle Marijuana Waste Granulator. Detailed equipment information is enclosed as attachment 6g. in this application. We plan to utilize this equipment to convert cannabis waste into farm-ready fertilizer inside of our facility, reducing not only landfill volume, but transportation expense and its related pollution. This waste management program utilizes the natural cycle of growth and decomposition in the most efficient and beneficial manner possible. Packaged cannabis products will be destroyed and hauled to a nearby landfill in compliance with state regulations.

5m. Accounting & Reconciliation

To ensure compliance with state and local regulations, tax requirements, and banking conditions imposed by financial institutions who will be servicing our industry, we will track the complete details of each transaction conducted by our operation through the use of either a Point of Sale (POS) system, or implementation of robust inventory management controls including software and hard copy data collection methods.

The state of California requires that marijuana businesses retain all of their records for a minimum of 7 years. We intend to keep records of the following information accordingly, and will make it available upon request:

- Financial records including bank statements, sales invoices, receipts, tax records, etc.;
- Personnel records, including records for each employee (employee's full name, social security, or individual taxpayer identification number, date of beginning employment, and date of termination of employment [if applicable]);
- Training records, including training content and records from employees who received the training;
- Inventory records, including chain of custody forms and unique identification numbers for all raw cannabis materials and finished products;
- All contracts and agreements, permits, licenses, and other local authorizations;
- All compliance audits, including private third-party checks;
- Security records, including all visitors, surveillance, incidents, etc.

We are developing our Standard Operating Procedures (SOP)s to ensure the performance of regular internal audits, and to collect, analyze and prepare detailed reports that show areas of inconsistency, potential weaknesses and strengths, and in general help us identify areas where we can improve either our processes or compliance. We plan to utilize independent third-party auditors from time to time to provide a valuable outside perspective.

6. Neighborhood Compatibility Plan

We are sincerely happy that the City of Costa Mesa has approved our existing neighborhood for the manufacturing and distribution of safe cannabis products. This decision not only enhanced the value of Dr. Nguyen's property but is offering him an additional entrepreneurial avenue to create jobs and generate tax revenue for his community.

The City of Costa Mesa is understandably concerned about the impact of licensed medical or recreational marijuana businesses within its neighborhoods. We believe several factors of our operations should put these fears to rest.

- **Hours of Operation** – We plan on running our extraction machines 24 hours per day, 7 days a week, with up to three shifts per day. Our proposed official business hours are 7am to 7pm. Most of our operation will function during the normal business hours for a typical manufacturing and distribution facility and we intend to conduct external transport deliveries only between the hours of 6am-11pm Monday through Sunday. During our unofficial business hours between 8pm to 6am, we plan to continuously operate our laboratory and also complete product packaging, particularly for high-demand or short-turnaround orders. However, these activities will be almost completely undetectable to the public except for employee vehicles. Noise will always be kept below the city's acceptable day time and night time decibel thresholds.
- **Discreetness & No Additional Noise** – Our operation has been thoughtfully planned so as not to draw attention to itself or create any noise that is outside the ordinary for a business within our business park. Our company SOPs, supported by the security and human resource policies under development, prohibit loitering or public access to our premises which will be daily enforced by management staff.
- **Non-Conspicuous** – Individuals that pass by our facility will not be aware that we are a marijuana-based operation.
- **No Access** - Only company employees, vendors, contractors, consultants, and the occasional required visitor over 21 years of age will be permitted inside our facility.
 - **Enhanced Security** – Unlike a typical tenant of a space like ours, we will have extensive and extremely visible security technology in place that discourages potential break-ins. In accordance with regulations, every access point to the building will be closely monitored with high definition surveillance cameras capable of recognizing faces and license plates.
 - **Neighbor Relations & Complaint Hotline** – Given the geographically narrow area in which Costa Mesa is permitting cannabis businesses to operate, we anticipate being part of a tight community and will invite our neighbors, both marijuana and non-marijuana alike, to communicate with us openly. If our neighbors prefer, we will offer the option of establishing a dedicated hotline for questions and concerns related to the operations of Potology.

7. Safety & Security Plan

Potology has contracted with nationwide industry leader, CannaGuard Security, to develop a comprehensive, compliant Security Plan that addresses both the facility premises and transportation services authorized under the Distribution licensure. The resulting security plan is provided as an attachment and will show a robust combination of surveillance cameras, restricted access technology, physical barriers and secure locking devices in addition to consistent training and enforcement of workplace behaviors through our company's standard procedures will ensure the safe and secure storage, processing and production of our company products.

8. Community Benefits – Charitable Giving

Potology LLC is committed to supporting charitable causes that benefit the community. As an entrepreneur, Ron Nguyen has made many donations to charitable causes through his other business ventures. Potology, LLC intends to continue the tradition, focusing specifically on education, cannabis awareness and funding for scholarships and grants. The charitable contributions program will be developed as the company begins creating profits from its business activities.

9. Enhanced Product Safety

In accordance with the laws of the State of California and our sworn duty to protect the safety of patients in need of care, we will be strictly following procedures designed to ensure that our entire workflow and the resulting products will all be safe for patient usage as recommended.

As required by state law, we intend to implement the following safety measures:

9a. Raw Material Controls

Product safety begins in our operation with the main raw material, the marijuana “trim” from which we will be extracting the oil. As trim is essentially what is leftover once the flower buds have been trimmed from the plant, it is harder to tell its overall health and quality. Therefore, we will have pre-extraction and when possible, pre-acquisition, testing performed to eliminate bad or unhealthy product from entering our building and equipment altogether. We may from time-to-time also extract from the buds themselves to produce specialized products.

Our cultivation partners will be supplying products that will pass tests for pesticides, molds and other dangerous substances, and we will also perform our own visual inspections and some additional testing when prudent prior to extraction. All incoming raw materials are quarantined prior to usage.

9b. In Process Controls

While the marijuana is within our company’s care, various steps will be taken to ensure its safety. Our current SOP Manual provides draft standards covering:

- The Quality of Raw Materials and Ingredients
- Manufacturing Operations
- Hazard Analysis
- Equipment and Machinery Qualification
- Master Manufacturing Protocol
- Training Program
- Inventory Control – Cannabis and Cannabis Products
- Disposal of Cannabis Waste
- Consent to Sample Collection

In summary, our team will make sure never to accept unapproved or dangerous material to our workflow process. We will vigorously clean and maintain orderly conditions within the facility and have planned for the installation of several physical and operational barriers to prevent contamination.

9c. Product Testing Controls

As required by the state, our finished products will be quarantined in bulk until we have received a Certificate of Analysis (COA) from a licensed and independent testing laboratory. The testing lab first sends a representative to our facility to select samples of our product batches. This procedure is tightly controlled and is required to be recorded on camera. The testing representative selects representative samples from our batches without any assistance from our staff and then transports them to the testing lab for analysis. Once a batch passes testing, we receive the COA and relay the testing information onto the finished packaged product through labeling.

9d. Finished Goods Controls

Once we have established that the product is safe for patient use, we turn our focus towards those individuals who may come in contact with the containers in which we place the cannabis, namely minors and those unfamiliar with the product, its contents or risks.

For the protection of Minors, we will use agency approved Child Resistant packaging as required by the State of California. We identified SunGrown in section 5 above as our planned option for boxes, and we are open to other innovative solutions we may find within the industry.

For the protection of adults that may be considering the consumption of our products, a wide range of warnings, potency reports and identification of the parties involved will be placed as required on the packaging. Our products will contain clear information concerning the concentration levels of THC and CBD to make the patient as informed as possible.

10. Environmental Benefits

We have included waste management and odor control systems in our workflow and physical design to contain and reuse gases during and after our extraction processes, as well as to dispose properly of any waste. Based on current research and market experience obtained from others, we do not anticipate our company having any adverse impact on the surrounding environment above any other non-cannabis occupant in Costa Mesa. The following discussion points out specific environmental benefits we anticipate would be concerns for the City and our neighbors.

10a. Equipment Integrity

The equipment we plan to use in processing cannabis material will be preemptively certified by a licensed engineer as required by state law with the implication that failures that might cause impacts to adjacent properties will assuredly be avoided. Please see product specifications enclosed in the attachments for more information.

10b. Ethanol Recovery

We plan to ensure consumer protection through the management of our ethanol recovery process by using a POPE Complete 2" Cannabinoid Distillation system which uses a mechanical rotary vape vacuum pump system for medium vacuum range (to 0.05 Torr). The Still is complete with variable speed drive mechanism, self-supporting still stand, standard glass body and all necessary attachments. This recovery system will ensure that all products we produce will be free of any solvent and will be corroborated through required testing before release to the retail market. As our operation increases in volume of products produced, we plan to upgrade the recovery pump with a high capacity version recommended by the manufacturer.

10c. Waste Management

Our waste management system will include a Bokashicycle Marijuana Waste Granulator, which we will use to convert any marijuana waste into fertile compost inside of our facility. This process reduces landfill volume, transportation expense and related pollution. Accumulated, composted cannabis waste will be removed by a licensed waste management company operating within the Orange County area. Cardboard materials will be recycled via local recycling programs.

10d. Transportation

We intend to use a fuel-efficient transport vehicle when distributing our products to retailers to minimize our carbon footprint. To also save on transportation costs, we plan to focus our marketing efforts on businesses within a 50-mile radius which will limit the number of vehicle miles we travel.

11. Labor & Employment

11a. Staff Organization

We will open our operation with approximately five (5) full-time employees and one part-time employee per our organization chart below. Along with the growth of our greater marijuana community, we will be creating positions that will be in high demand and offering upward mobility to Costa Mesa area residents.

11b. Training

Staff members will be fully trained and certified wherever able by equipment manufacturers, as well as invited to become fully immersed in the extraction culture of innovation and experimentation. As our institutions of higher learning include topics that are relevant to the marijuana industry, specifically the sciences that relate to the extraction process and the plant biology, we will reimburse tuition and fully support select staff members to participate in this education.

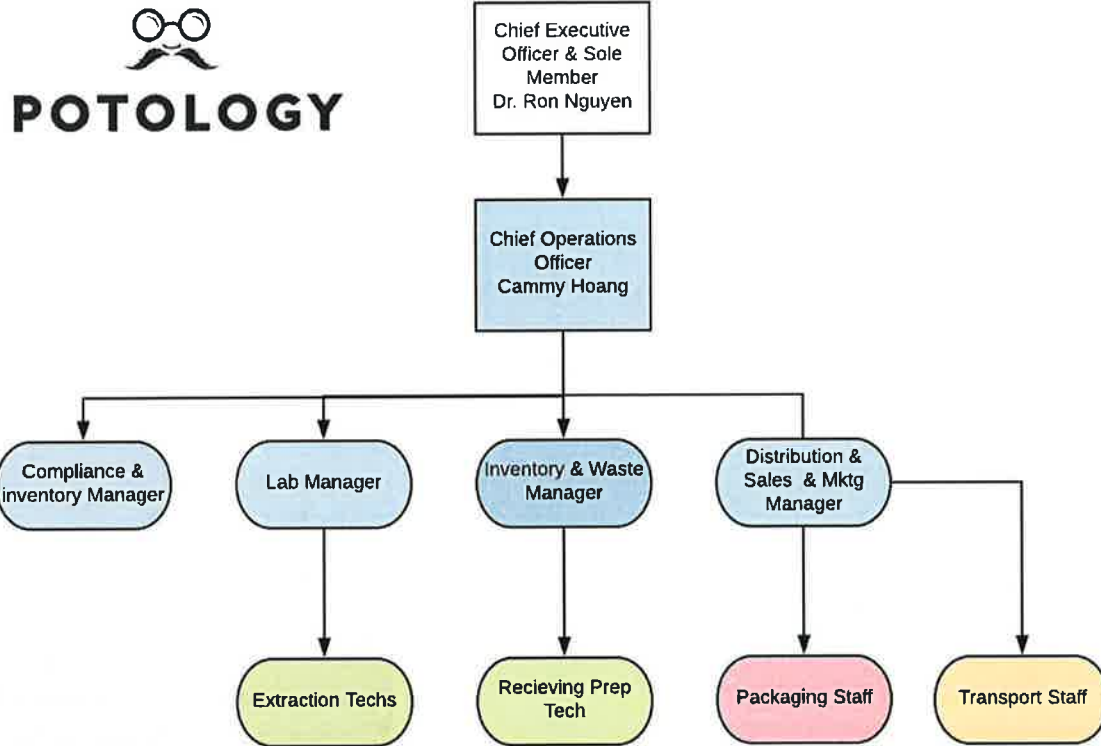
11c. Wage Scale by Position

Following is our intended wage offering by position:

Position	Hourly Rate	Full or Part Time Expectation
COO	\$80,000 per year + bonus	Full Time
Extraction Techs (two)	\$20-\$30 per hour*	Full Time
Prep & Packaging (two)	\$15 - \$25 per hour*	Full & Part Time
In Vehicle Transport Member	\$15 per hour	Part Time

* We will be giving most of our employees a chance to earn a significant performance stipend through a "piece work bonus" in addition to their state mandated hourly pay rate. Top performers should be able to double their base pay earning the high range amounts above. Checks and balances will be in place to ensure exceptional quality along with a high rate of production.

Management & Staff Organizational Chart



12. Local Enterprise

Dr. Nguyen is a resident of Costa Mesa and has been a business owner in California for over 13 years, employing in excess of 120 total team members across all levels of skill and education. Ron has close ties within the USC Alumni network, the Costa Mesa, Orange County and greater-Los Angeles areas, and most especially within the dental, medical and Vietnamese communities. As with his other businesses, Ron will be proactively aware of the day-to-day operations of Potology, LLC and actively involved in driving the company forward.

13. Operational History

Please see the enclosed Attachment which states that neither Dr. Ron Nguyen nor Cammy Hoang have ever operated a licensed marijuana business either together, individually, or as concerned parties of any other related marijuana project. They have respected the laws of our state and country, avoiding gray channels available to the citizenry that have afforded others the means to exploit the previous collective and caregiver models for a profit. Both are very pleased that the City of Costa Mesa and State of California are offering a path to legalized usage and distribution of such an important plant to so many in need of relief.

14. Insurance Requirements

We anticipate carrying several insurance policies required by state and local agencies. At this time, we have secured general liability insurance to cover our leased building. We anticipate adding the following insurance policies as needed:

- **Commercial general liability insurance**
 - No less than \$2,000,000 and no less than \$1,000,000 for each loss
- **Property insurance**
 - Buildout
 - Equipment and furniture
 - Electronic data equipment (EDP)
 - Inventory
 - Crop coverage (cultivation from seed through finished processing (greenhouse/indoor))
 - Loss of income
- **Product liability related chain of custody**
 - No less than \$2,000,000 and no less than \$1,000,000 for each loss
 - Mostly covers attorney fees for defending against a lawsuit
- **Cargo**
 - Covers transit
- **Stock through put**
 - Covers product care, custody, control during transport
- **Worker's compensation insurance**
- **Surety Bond**
 - \$5,000 for each license obtained;
- **Theft**
- **Employee Practice Insurance (EPI)**
- **Errors and Omissions Insurance**
- **Small group disability for officers of the company**
- **Commercial automobile insurance**
- **Non-owner auto coverage**



April 30, 2018

Mr. Ron Nguyen
Potology
3505 Cadillac Avenue, Building H
Costa Mesa, CA. 92626

Re: Fire Protection Safety Plan Summary Report
Potology Manufacturing Facility
3505 Cadillac Avenue, Building H
Costa Mesa, California

Dear Mr. Ngyuen:

Per your request, we have completed this *preliminary* fire code assessment and summary safety plan report for the proposed manufacturing of cannabis oil concentrates within the existing commercial building located at 3505 Cadillac Avenue in Costa Mesa, California.

The purpose of this evaluation is to assess the proposed use of the existing space, evaluate corresponding fire code requirements, identify deficiencies and to provide recommendations as needed to comply with current codes per the following section from the City of Costa Mesa's Medical Marijuana Business Permit Submittal Checklist:

- ☐ 8. **Safety Plan prepared by a qualified fire prevention and suppression consultant that includes at a minimum, the following components (additional components may be added by the City during the CUP review process):**
- a. **Details on the fire prevention, suppression, HVAC, odor control and alarm system the facility will have in place.**
 - b. **An assessment of the facility's fire safety, considering all possible fire, hazardous material, and inhalation issues/threats. Provide written and physical mechanisms in place to deal with each specific situation.**

The references utilized in this evaluation include the following:

- 2016 California Building Code
- 2016 California Fire Code
- Relevant NFPA standards

This report is divided into the following sections:

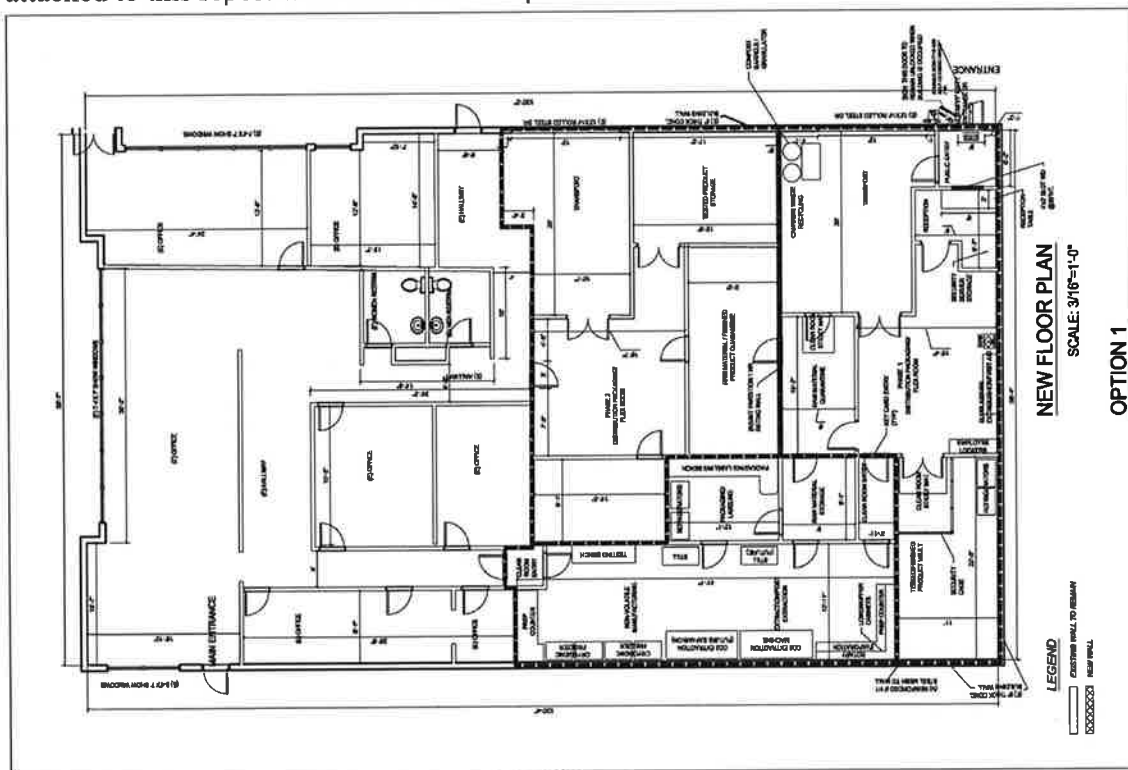
- I. Project Description
- II. Hazardous Materials Evaluation
- III. Assessment of Fire Code Requirements
- IV. Summary Recommendations
- V. Referenced Attachments

57

Per your firm's correspondence, following is a summary of Potology's description of the planned operations at the facility:

- *Potology currently owns the subject building in the city of Costa Mesa and would like to section part of the building for the manufacturing of medical cannabis oil concentrates.*
- *This permit application is for the manufacturing of oil concentrates using CO2 extraction methods.*
- *The proposed CO2 extraction is a four step process in which Potology will use CO2 machine to extract the oils from grinded marijuana materials.*
- *The second step will be to use an alcohol wash along with sub-zero temperatures to separate the fats and waxes from the essential oils.*
- *The third step would be to place the oils into a Rotobath with heat and vacuum to pull any ethanol out and that leaves the final product that can be placed into vaporizer pens.*
- *The fourth step is a process to convert the final oils into wax or shatter which requires separation of CBD and THC concentrates, and to then convert the oils into a thick goo like substance.*

The proposed building floor plan modifications is as indicated below; a full 1/4" scale plan is attached to this report with additional fire protection notes:



59

A summary (provided by Potology) of the proposed equipment to be installed in the warehouse/production area is as follows:

- Apeks iL500-1L Benchtop CO2 Extraction System
- Robot Coupe Blixer (Commercial Blender)
- So-Low CH40-5 Economy Freezer
- KNF RC 600 Rotary Evaporator

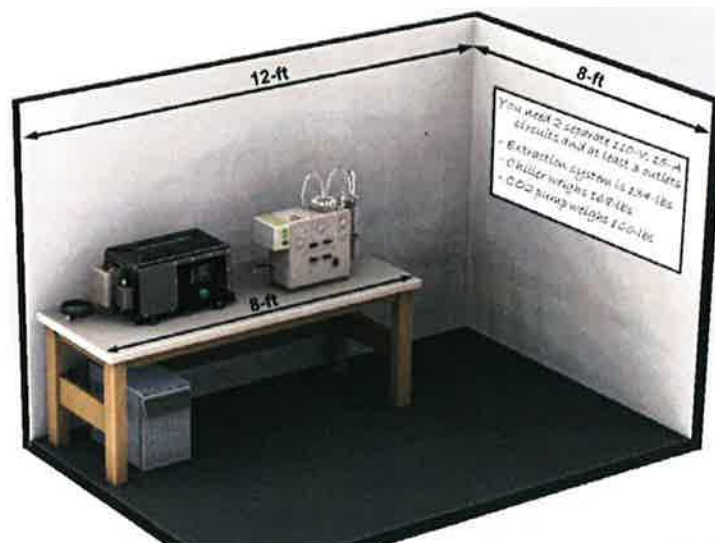
The list of equipment and accompanying manufacturer's data sheets are attached to this report. An excellent demonstration of the Apeks iL500-1L extraction process can be found at the following link: <https://www.youtube.com/watch?v=LbmX26chNp0>

Following are two images of the Apeks iL5000 1L Benchtop Extraction Unit. This is a small scale unit closed loop CO2 extraction system,



The Extraction Vessel is capable of holding up to 1/2 pounds of dried and ground material with a maximum operating pressure of 1,500 psi at a maximum temperature of 160F. The Separator/Collection Vessel has a volume of 1.5 liters with a maximum operating pressure of 600 psi at a maximum temperature of 160F.

The CO2 System, Pump and Chiller/Heater operate on 115 VAC with full load current loads of 2 amps, 16 amps and 12.5 amps respectively. CO2 supplies are in addition to the above, to be provided by closed bottles.



Following is an image of the KNF RC 600 Rotary Evaporator. The manufacturer's data sheets are attached to this report, with an excerpt from their product brochure as follows:

Pure rotary evaporation. The RC 600 has been specifically developed to meet the needs and demands of university and education facilities. A constant turnover of students calls for robust laboratory devices that are quickly understood. They must be designed to withstand continuous intensive use while unfailingly meeting the unique safety requirements of training labs.

High-performance system component. The RC 600 is an impressive, compact rotary evaporator that performs particularly space-saving distillation when combined with KNF's SCC 950 vacuum pump system. Equipped with two controllers, the SCC 950 is able to provide different vacuum conditions to two rotary evaporators at the same time.

TECHNICAL DATA	
Heating bath	
Heating bath temperature [°C]	20 - 180
Coolant supply parameters (chilled condenser)	
Permissible pressure [psig]	44
Permissible temperature [°C]	-15 to +20
Coolant-coated surface [cm²]	1230
Parameters of evaporation flask	
Size of evaporation flask [mL]	50 - 3000
Evaporation flask rotation speed [per min]	25 - 250
Length of stroke [mm]	150
Lifting speed [mm/s]	38
RC 600	
Dimensions W x D x H [mm]:	
- without glass (footprint)	431 x 453 x 464
- with glass	487 x 453 x 823
Operating unit	
Type of display	LCD black/white
Indicated parameters	Rotation speed, temperature, lift



Following is the list of hazardous materials provided by Potology to be stored/used in the facility:

- CO2 3,000 Liters which is equivalent of two CO2 tanks
- Alcohol (3 gal)
- Ethanol (3 gal)

Approximately 10 pounds of dried cannabis will be maintained on site.

II. Hazardous Materials Evaluation

The list of hazardous materials provided by Potology is limited to the 3.0 gallons each of Alcohol and Ethanol listed above. These are classified as Class IB Flammable Liquids. Per the following table with references to the 2016 CFC, the quantities are well below the maximum of 120 gallons permitted in a non-sprinklered building.

CATEGORY	CFC Exempt Amount	CFC Exempt Amount with Fire Sprinklers per CFC 903 .3.1.1	Potology Quantities
Flammable Class IA	30 gallons	60 gallons	0 gallons
Flammable Class IB	120 gallons	240 gallons	6 gallons
Flammable Class IC	120 gallons	240 gallons	0 gallons

Carbon dioxide (CO2) is not considered a hazardous material per the CFC, however it is an asphyxiant if breathing concentrations exceed maximum survivable levels. The proposed tanks of CO2 fall under the requirements of Chapter 53 of the CFC, Compressed Gases.

III. Assessment of Fire Code Requirements

The fire code requirements would be based upon the CBC defined occupancies in the building as well as specific manufacturing processes and hazardous materials storage use. The current Ultralight Optics operations observed in the building include the assembly and manufacturing of lightweight plastic specialty eyewear in the main warehouse area. The adjacent office spaces are utilized for non-retail order sales, customer service support and general manufacturing office support. We would classify the spaces per the Chapter 3 of the CBC as follows:

Existing Warehouse Manufacturing/Assembly Area: F-1
Existing Office and Support Spaces: B

Based upon the proposed small scale cannabis extraction and the corresponding equipment, processing and the exempt quantities of hazardous materials to be on site, we would consider

the new Potology operations to be in accordance with the current use of the property and occupancies as follows (see attached 1/4" scale floor plan):

Proposed Warehouse Extraction/Assembly Area:	F-1
Proposed Office, Vault Room and Support Space:	B

Per the CBC, there are no occupancy separation requirements between an F-1 and B occupancy for this space.

Regarding the sub-division of the existing warehouse space per the attached floor plan, the reduced area for the Ultralight Optics assembly area will require a new exit door to the exterior to be installed at approved location. All other travel distances and exits appear to be code compliant per the current layout.

Since there will be no increase in physical area to the building, no occupancy change and no noted increase in fire hazards to the building, it does not appear that a fire sprinkler or fire alarm system would be required by the City of Costa Mesa's ordinances. This would be subject to written confirmation by the City.

Typical fire and life safety hazards present in light manufacturing operations similar to the current Ultralight Optics facility are mitigated by the following:

- Maintenance of all required exiting, including signage.
- Safe manufacturing and process operations.
- Proper inventory control and management, including storage
- Maintenance of proper electrical power use, including NEC compliance for all electrical use and the installation of listed equipment.
- Code compliant management of hazardous materials storage and use.
- Staff training.

We expect the same types of mitigation to be applied to this scaled cannabis oil extraction operation and do not see any significant fire or life safety hazards in excess of the current use with the exception of the high pressure CO2 extraction equipment.

The CO2 extraction process doesn't require or utilize flammable substances, but the various types of extraction machines can operate from 600 psi up to as much as 10,000 psi. If not designed or installed correctly, the machines can be subject to explosion.

Extraction equipment that use hazardous materials (i.e. flammable / combustible liquids), high pressure carbon dioxide (CO2) or liquefied petroleum gases should be required to be listed or approved for their specific use. Because there are generally no listings (such as UL, ETL, etc.) available for compressed-gas extraction systems using hazardous materials, it is highly recommended that an engineering report be submitted by a licensed California Professional Engineer who has the demonstrated knowledge to develop the appropriate analysis.

The licensed California Professional Engineer shall review and consider any information provided by the system's designer or manufacturer. It would be the responsibility of the engineer to justify how the system meets the California Fire Code and any other national standards as a basis of design, including an analysis/description of the components of the system. In addition to the engineering report, an owner's operation manual must be submitted with specific instructions regarding proper use of the equipment and any safety provisions identified. The report would be required to be submitted to the City of Costa Mesa for their review and approval as part of the permit process.

If the equipment manufacturer can provide listings for their systems and/or technical reports previously prepared by other licensed engineers for their specific equipment models, these reports may be considered for review and approval by an experienced licensed California Professional Engineer who would be required to provide a cover letter confirming compliance with the appropriate codes and stamp/sign the submittal for review and approval by the City of Costa Mesa for their review and approval as part of the permit process.

An open release of carbon dioxide (CO₂) due to leakage, process or piping/fitting failure within an enclosed space can act as a simple asphyxiant if high enough concentrations are present. To mitigate the potential hazards for high CO₂ concentration levels and corresponding risk to occupants, we recommend the following:

1. Install a mechanical ventilation in accordance with section 5307.5.1 of the CFC as follows:

5307.5.1 Ventilation. Mechanical ventilation shall be in accordance with the *California Mechanical Code* and shall comply with all of the following:

1. Mechanical ventilation in the room or area shall be at a rate of not less than 1 cubic foot per minute per square foot [$0.00508 \text{ m}^3/(\text{s} \cdot \text{m}^2)$].
2. Exhaust shall be taken from a point within 12 inches (305 mm) of the floor.
3. The ventilation system shall be designed to operate at a negative pressure in relation to the surrounding area.

This would be a continuously operating ventilation system.

64

2. Install a fixed continuous CO2 gas detection system and alarm system in accordance with section 5307.5.2 of the CFC as follows:

5307.5.2 Emergency alarm system. An emergency alarm system shall comply with all of the following:

1. Continuous gas detection shall be provided to monitor areas where carbon dioxide can accumulate.
2. The threshold for activation of an alarm shall not exceed 5,000 parts per million (9,000 mg/m³).
3. Activation of the emergency alarm system shall initiate a local alarm within the room or area in which the system is installed.

This system is a local room alarm only, is not required to be monitored off site and is intended to alert the extraction operator of a potential asphyxiation hazard. There is no requirement to alarm the building as typically required for fire alarm systems. The gas detection devices would be mounted near the extraction system equipment.

The CO2 cylinders will be required to be used, stored and secured in accordance with Chapter 53 of the CFC, Compressed Gases.

IV. Summary Recommendations:

Based upon the above sections, following are our recommendations for general fire and life safety code requirements to be applied to the project:

1. Fire Suppression and Alarm Requirements:

The existing building does not have a fire alarm or fire suppression system. This project does not include the expansion or the addition of any square footage to the building, and the proposed operations do not increase the fire hazard conditions for the building beyond the current classification in our estimation. While fire suppression and fire alarm systems are always considered important parts of fire protection enhancement for any building, our review of the current CBC, CFC and city ordinances do not require the addition of fire suppression or fire alarm systems to this unit per its proposed uses. This would be subject to written confirmation by the City

2. Exiting/Egress Requirements

Regarding the sub-division of the existing warehouse space per the attached proposed floor plan, the reduced area for the Ultralight Optics assembly area will require a new exit door to the exterior to be installed at approved location per Chapter 10 of the CBC. With the exception of the Ultralight Optics warehouse space, the proposed exiting arrangement, travel distances and paths of egress are compliant with the requirements of F1 and B occupancies for this facility per the current layout.

3. Exit Signs

We recommend the installation of illuminated exit signs above the three noted exits on the attached floor plan per Chapter 10 of the CBC.

4. Fire Extinguishers and Locations:

We recommend the installation of three 5 pound 2A/10B:C multi-purpose dry chemical fire extinguishers where noted on the attached floor plan in the Warehouse Extraction Area and in the Vault Room.

5. Security Locks/Panic Hardware:

We recommend installing panic (fire exit) hardware at each of the two exit doors to the exterior of the units. Hardware to be in compliance with Chapter 10 of the CBC. Means of egress cannot be compromised by required security features.

6. Fire Department Access:

A key (Knox) box may be required by the Fire Department for emergency access to the building at an approved location. The key box must comply with City standards.

CLC

7. Compressed Gases:

Storage, use and handling of compressed CO₂ gases must comply with Chapter 53 of the CFC, including all provisions regarding securing and transport of bottles.

8. Listing of Carbon Dioxide Extraction Equipment:

Extraction equipment that use hazardous materials (i.e. flammable / combustible liquids), high pressure carbon dioxide (CO₂) or liquefied petroleum gases should be required to be listed or approved for their specific use. Because there are generally no listings (such as UL, ETL, etc.) available for compressed-gas extraction systems using hazardous materials, it is highly recommended that an engineering report be submitted by a licensed California Professional Engineer who has the demonstrated knowledge to develop the appropriate analysis. Please see Section III of this report for more detail regarding this recommendation.

9. Listing of Carbon Dioxide Extraction Equipment:

An open release of carbon dioxide (CO₂) due to leakage, process or piping/fitting failure within an enclosed space can act as a simple asphyxiant if high enough concentrations are present. To mitigate the potential hazards for high CO₂ concentration levels and corresponding risk to occupants, we recommend the following:

1. Install a continuously operating mechanical ventilation in accordance with section 5307.5.1 of the CFC as follows:

5307.5.1 Ventilation. Mechanical ventilation shall be in accordance with the *California Mechanical Code* and shall comply with all of the following:

1. Mechanical ventilation in the room or area shall be at a rate of not less than 1 cubic foot per minute per square foot [0.00508 m³/(s • m²)].
2. Exhaust shall be taken from a point within 12 inches (305 mm) of the floor.
3. The ventilation system shall be designed to operate at a negative pressure in relation to the surrounding area.

2. Install a fixed continuous CO₂ gas detection system and alarm system in accordance with section 5307.5.2 of the CFC as follows:

5307.5.2 Emergency alarm system. An emergency alarm system shall comply with all of the following:

1. Continuous gas detection shall be provided to monitor areas where carbon dioxide can accumulate.
2. The threshold for activation of an alarm shall not exceed 5,000 parts per million (9,000 mg/m³).
3. Activation of the emergency alarm system shall initiate a local alarm within the room or area in which the system is installed.

This system is for local room

alarm only, is not required to be monitored off site and is intended to alert the extraction operator of a potential asphyxiation hazard. There is no requirement to alarm the building as typically required for fire alarm systems. The gas detection devices would be mounted near the extraction

Thank you for the opportunity to provide this engineering evaluation. Please contact our office with any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Collings", written in a cursive style.

Jack Collings, CA. F.P.E. 1545

AIR QUALITY AND ODOR CONTROL PLAN

For

CANNABIS MANUFACTURING & DISTRIBUTION

For the Property Located at

3505 Cadillac Ave, Building H, Unit C

Costa Mesa, CA 92626

Applicant:

Potology, LLC

Prepared on: October 12, 2018

1.0 Introduction

Potology, LLC is proposing to locate a cannabis manufacturing and distribution business in a facility at 3505 Cadillac Ave, Building H, Unit C, Costa Mesa, CA 92626. The business will be located in a newly remodeled and separately secured portion of a building that is currently being used to house two light manufacturing operations for the property owner's medical dentistry products. A total of 3,166 square feet of the building will be used for Potology, LLC's cannabis operations, while the remaining portion will continue to be used for the property owner's other businesses. The distribution operation will have a front entry area accessible from the parking lot, which includes a main entry and a reception area, as well as two transport rooms, each accessible from a loading bay. The remaining portion of this premises will include a quarantine room for untested products, a flex preparation and staging area, a washing station with storage and emergency provisions, a secured storage area for tested products ready for transport to retailers, and a reception and security office with window access to the public entry. The manufacturing premises will be accessible through restricted access doors from distribution and will include a storage room for raw materials and finished products, an extraction and post-extraction laboratory, and a packaging room. This air quality and odor control plan has been prepared to demonstrate how the cannabis activities will be implemented to eliminate the potential for contamination in the facility and also odor nuisances that otherwise could affect neighbors.

2.0 Facility Odor Emissions

Potology Labs plans to hire a design team experienced in developing the proposed interior alterations to the building for cannabis-related activities, as illustrated in the attached Architectural Plan Set. Build-out will include a sophisticated ventilation and odor control system capable of removing all odor from air exhausted from the building to ensure that the cannabis operations will not cause a nuisance to surrounding neighbors. Air ventilation and odor control improvements will be as follows:

2a. Facility Improvements

The space will be renovated through improvement plans, building permits, and build-out to develop an adequate space for the cannabis business. Each premises, distribution and manufacturing, will have its own ventilation system to increase climate and odor control. While commercial buildings must maintain a minimum amount of air flow, our manufacturing and distribution rooms where processing, extraction, storage, packaging, and other sensitive activities will occur will be built as negatively pressured clean rooms. All air will be exhausted through a carbon filtration system that scrubs any cannabis odor, ensuring that neighbors and the community will not be able to detect any difference from currently present ambient odors. The following sections describe how air will move from outside, into our facility, and then back out again without adding any cannabis odor to ambient air. Please refer to the attached product sheets for specific information on equipment.

2b. Air Intake

Our facility will need to draw in fresh air from outside our building to provide a safe working environment for our staff and ensure air inside the building does not become stale. We anticipate this amount of air intake to be small, compared to our exhaust, which will create a negative pressure

ventilation system throughout our facility, thereby eliminating any odor leaks as our exhaust fans draw inwards from any leaks and force outgoing air through our air filters. Our air intake will be pushed through a HEPA filter to eliminate any ambient contaminants, including pollen, dust, and mites.

2c. Indoor ventilation

Air conditioning and ventilation within the building will be controlled with installation of a City permitted HVAC system, including multiple air conditioners for specific areas of each license premises to provide more control. Compressor and blower quantities and sizes will be determined through preparation of improvement plans based on the total volume of air to be conditioned and the type of equipment to be used. Our air conditioning system will provide controls for managing both temperature and humidity in each room, as heat load and climate conditions will vary depending on the use of the room and type of processing involved.

Every room will also use an ONA gel bucket with a breeze distribution fan that fits on top as part of the odor control system. ONA gel uses the terpenes in essential oils to either bond with or react in comparison to its relative solubility with the odorous compounds. In both cases, it transforms the pollutant's basic properties, eliminating the odor. To assist with the gel distribution, a breeze fan attaches to the top of the bucket, ensuring that the ONA terpenes are distributed throughout the room and interacts with every molecule of the offensive odor. See the attached product cut sheet for more information.

2d. Sensitive Rooms

Certain rooms and areas within our facility will generate more odor than others, such as the storage rooms, the quarantine rooms, the CO2 extraction and the post-extraction purging room, and the packaging room. In addition to the ONA gel and breeze distributor discussed above, we will employ the following techniques and practices to ensure that much of the odor from these rooms and areas is removed before the exhausted air is exposed to the remainder of the facility.

- Each of these rooms will be sealed off from the rest of the facility with wall, floor, ceiling, and opening finishes;
- Each room will contain one or more air scrubbing carbon filters, as illustrated in the attached product sheet, which will be outfitted with a high flow inline fan. The fan will pump air from the room through the carbon filter and into our ventilation system. As carbon filters gradually decrease in effective odor control over time, we anticipate replacing them every 3-6 months as directed by the manufacturer.
- Each room will be ventilated using a negative pressure system in which more air will be exhausted than is available in the room. The result will be that all odorous air will be pushed through the room scrubber(s), even when the door is opened.

2e. Air Exhaust

Once air has been pulled back into the central air ventilation system through each room's exhaust ventilation, it will be circulated and sent to the building's exhaust fans to be released into the ambient air. Due to the use of the ONA Gel, the distribution fans, and the carbon filters, there will be no noticeable difference in smell of the exhaust air from the ambient air.

3.0 Odor Mitigation Practices

Potology, LLC staff will establish procedures for effectively operating our air quality and odor control systems into our standard operating procedures manual (SOP) and also incorporate them into staff training. We plan to include the following procedures to ensure that our neighbors and the Costa Mesa community will not be affected by any cannabis odors from our facility:

3a. Employee Training

Our Operations Manager will be responsible for training and educating all employees about the importance of odor control. Each staff member will be trained initially during our new hire orientation, as follows:

- Each staff member will understand what duties are involved with controlling odor, particularly opening and closing doors;
- Staff will be trained to report all incidents and/or concerns regarding odor to the Operations Manager;
- The Operations Manager will assist with completing and implementing SOPs and employee training task lists to contain and eliminate odor issues;
- On-going monthly team meetings will also serve as in-person staff training to raise awareness and keep open communication between staff and management.

3b. Daily operations

On a daily basis, our staff will help eliminate odors by adhering to the following procedures:

- Each odor control device will be visually inspected on a daily basis and recorded in the room log.
- Each employee working in or around our facility will ensure that all doors are properly closed behind them as they enter or exit.
- As our facility will not have any windows opening onto the distribution premises, we will not need to worry about the possibility of one being accidentally opened or having a faulty seal. However, our staff will make sure that seals around all doors are checked when entering and exiting so they remain effective at preventing odors from escaping the facility.
- Our Operations Manager will perform daily walk-through inspections and review all completed task lists from employees to make sure these procedures are carried out. Additionally, the manager will walk through both the interior and exterior of the facility on a weekly basis to ensure that all equipment is operating properly and is effective in eliminating odors.
- During periods of processing and packaging, the Operations Manager will ensure that odors are isolated, contained, and eliminated around the exterior.

3c. Recordkeeping Systems and Forms

The Operations Manager will be responsible for oversight of the following logs:

- Potology Maintenance and Record Log – Documents checks and replacements of carbon filters, ONA gel, and door seals.
- Potology Training Log – Documents the number of training hours involving odor control.

- Potology Odor Complaint Log – Documents any complaints involving odor concerns.

Each sensitive room will have its own set of logs. The Operations Manager will be responsible for recordkeeping, including identifying the units or equipment that has been checked by serial or identification numbers. The log forms will aid in early notification of malfunctions and document any known malfunction reports, repairs, and dates of service.

3d. Maintenance

In addition to relying on our staff and Operations Manager for controlling odor, we also intend to employ regular maintenance in the following manner:

- Our Operations Manager will inspect the interior and exterior on a weekly basis for failures and issues.
- We will schedule regular maintenance intervals for each type of device or equipment based on the manufacturer's specifications. Typically, we expect carbon filters to be replaced a minimum of every six months. More frequent replacement may also occur based on the outcome of daily or weekly checks.

4.0 Complaint Tracking System

Potology, LLC will take all precautionary measures to prevent any odor complaints through using adequate odor control measures and performing our regular checks and maintenance. Additionally, we intend to notify our neighbors of our contact information for our Operations Manager and request that they contact him/her directly should they have a complaint regarding odor. The Operations Manager will manage any complaints along with community outreach to ensure that communication is strong and productive. Our manager will also use an Odor Complaint Log to document the following:

- Any odor complaints, including the date and time the odor was discovered;
- The location of the odor source, once it has been discovered;
- Whether any doors were open into the facility during the reported time of the complaint by reviewing our surveillance records; and
- Whether any changes need to be made to address the odor complaint.

Potology Security Plan

Location: Costa Mesa, CA



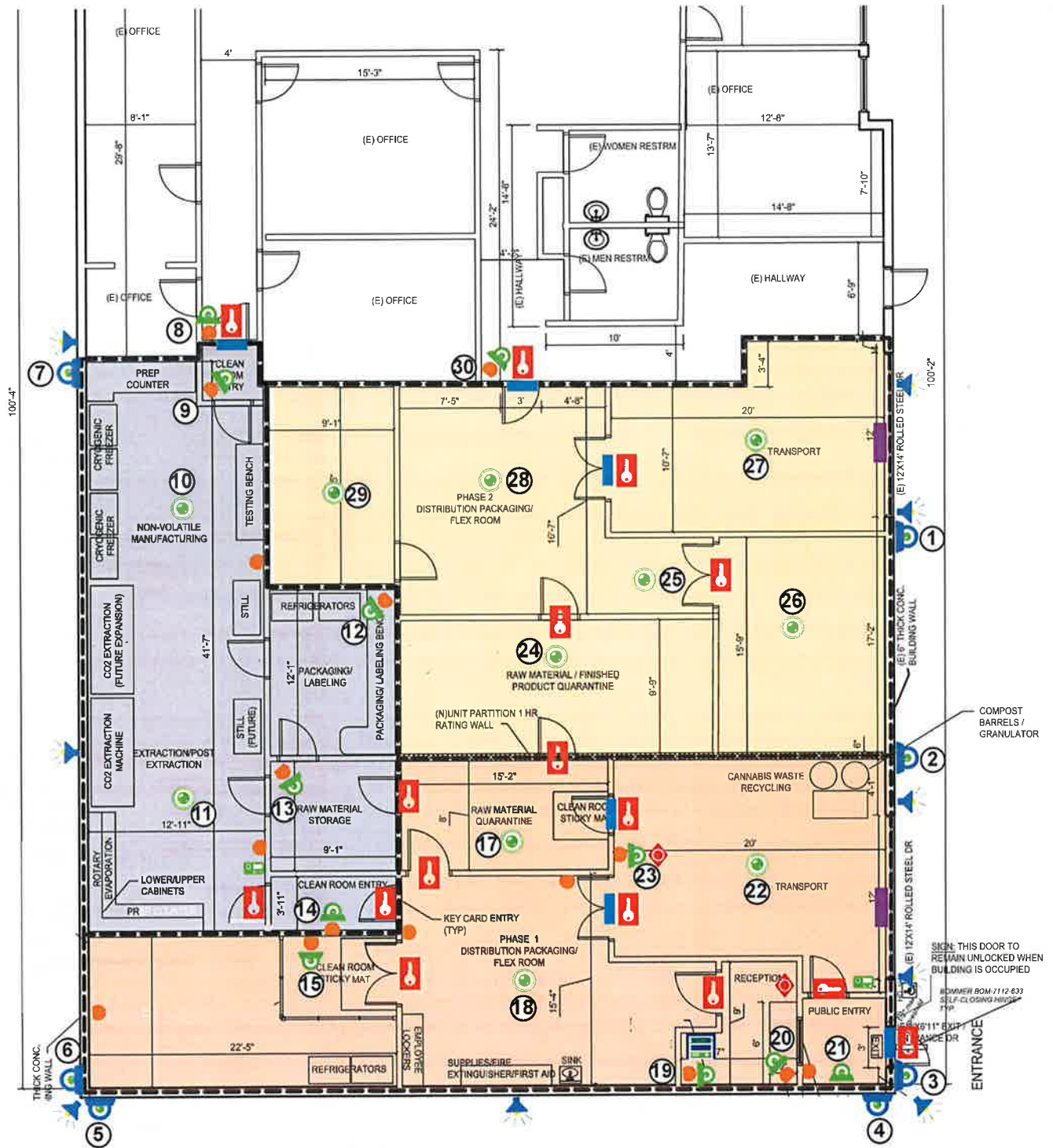
8089 SW Cirrus Dr
Beaverton, OR 97008

Potology Labs

Site Plan

Cammy Hoang
(408) 515-9685

3505 Cadillac Ave.
Bldg H Unit C
Costa Mesa, CA 92626



④ Camera Number

Manufacturing Premises
Distribution Premises (Phase 1)
Distribution Premises (Phase 2)



Alarm Keypad



Panic Button



Motion Detector



Door Contact



Garage Contact



Access Control



Locking Server Rack



Battery Backup



Server



Outdoor IP Dome



Indoor IP Dome



Indoor 360



Cash Vault



Exterior Lighting

75

Product Flow and Restricted Access

Access levels

Public Access

Transport Access

Restricted Access

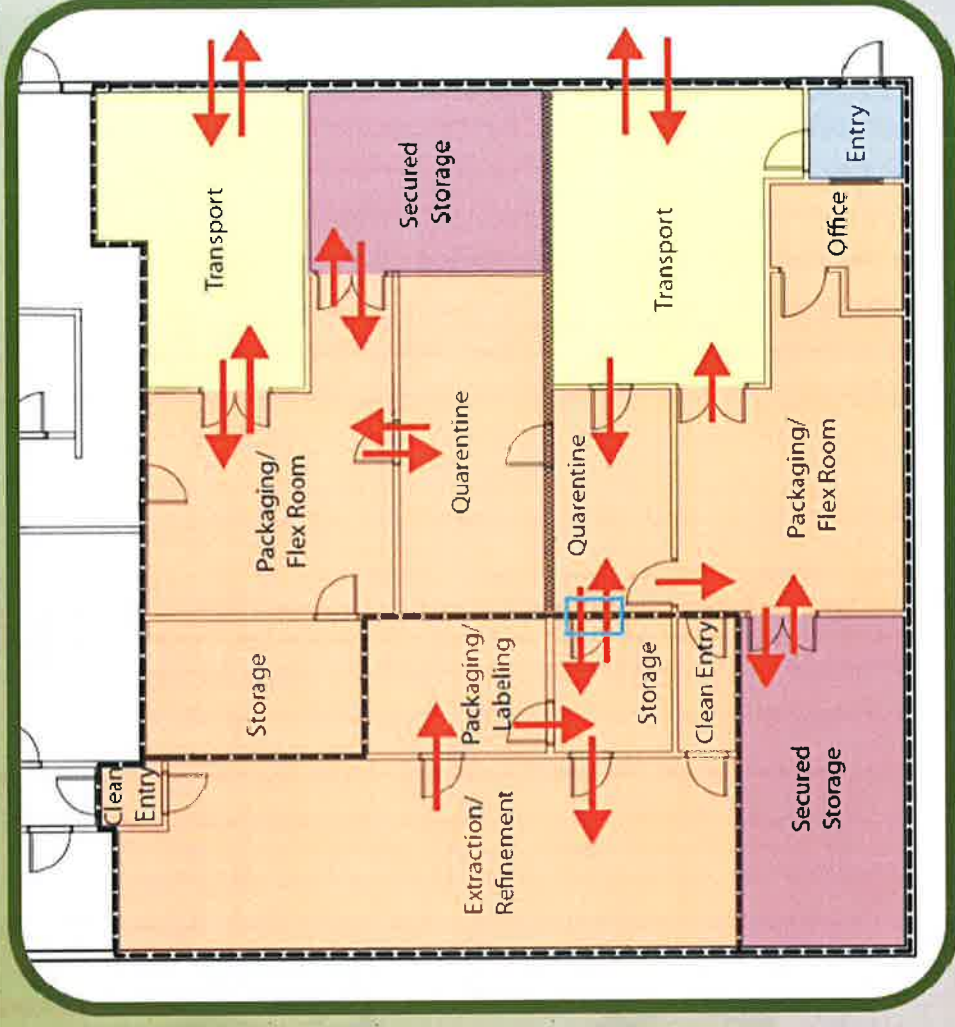
Heightened Restricted Access

Product Flow

Flow Direction

Change of Custody

(Distribution / Manufacturing)





CITY OF COSTA MESA
P.O. BOX 1200 • 77 FAIR DRIVE • CALIFORNIA 92626
DEVELOPMENT SERVICES DEPARTMENT

Notice to Proceed and Background Check Clearance Letter

July 19, 2018

Ronald Nguyen
3505 Cadillac Ave. Bldg. H
Costa Mesa, CA 92626
ronwin@gmail.com

RE: 3505 Cadillac Avenue, Bldg. H (MX-17-0006)

Dear Mr. Nguyen,

This Notice to Proceed indicates that Potology, LLC has satisfied the initial Medical Marijuana Business Permit initial application submittal requirements for MX-17-0006 and all listed Potology, LLC owners have successfully passed a preliminary background check. The issuance of this notice shall not confer any rights on the applicant nor shall it be deemed an approval of the Medical Marijuana Business Permit. At this time, you may proceed with submitting a Conditional Use Permit (CUP) application to operate a marijuana distribution and manufacturing/processing facility at the subject location.

Please be advised the Community Improvement Division is in the process of modifying the MMBP submittal requirements. Although you may apply for the CUP at this time, it is necessary for you to also provide this information as listed below with your CUP application:

- A flow diagram and narrative describing how product will move from the time that cannabis arrives at the site until it leaves the premises. The flow diagram should depict the location of the manufacturing equipment.
- Narrative detailing the production steps and the functions and processes to occur in each room.

You will also need to submit proof of insurance to the Community Improvement Division following the approval of the CUP but prior to issuance of the Medical Marijuana Business Permit.

Please be advised that the Medical Marijuana Business Permit application shall be subject to denial for failure to comply with any of the provisions of Title 9, Chapter VI of the Costa Mesa Municipal Code (CMC) or Administrative Regulation 4.2 including, but not limited to the prohibition against any owner, manager, supervisor or employee having a disqualifying criminal offenses pursuant to CMMC section 9-495 et seq.

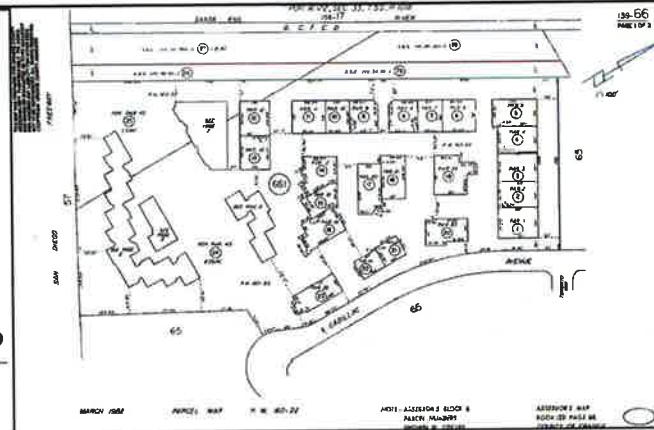
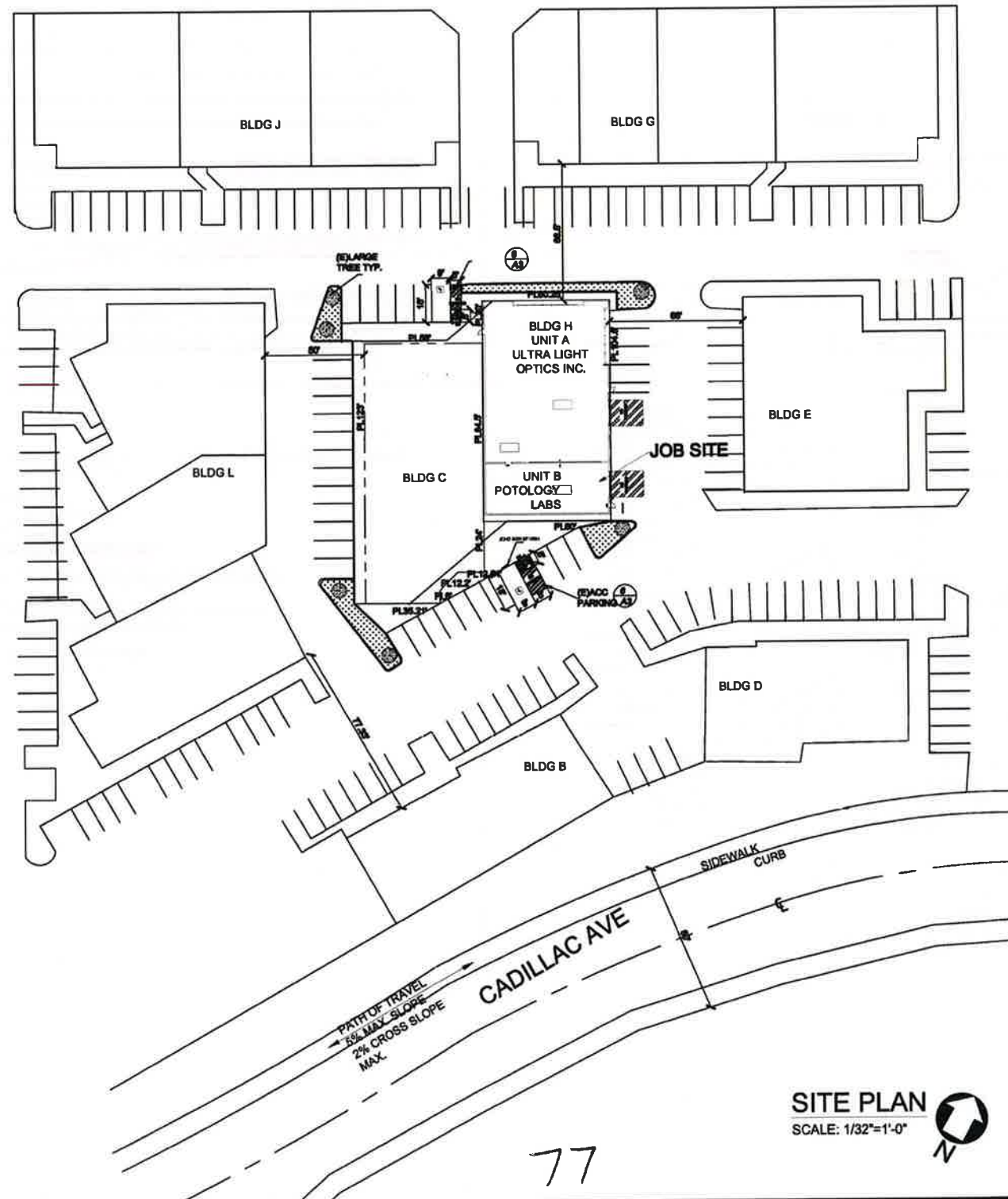
You may contact Katie Angel at 714-754-5618 regarding Medical Marijuana Business Permit procedures.

Sincerely,

Fidel Gamboa, Jr.
Fidel Gamboa, Jr.
Community Improvement Manager

cc: Jennifer Le, Assistant Development Services Director
Jon Neal, Fire Prevention Specialist
Katie Angel, Management Analyst
Willia Bouwens-Killean, AICP, Zoning Administrator
Minoo Ashabi, AICP, Principal Planner
Mel Lee, AICP, Senior Planner
Justin Arias, Assistant Planner
Cammy Hoang, Potology, LLC

ASSESSOR PARCEL MAP



SHEET INDEX:

- A1.1 SITE PLAN, VICINITY MAP & SCOPE OF WORK
- A1.2 CAMBRIDGE PARK
- A2.0 NEW FLOOR PLAN
- A2.1 NEW PHASE 2 FLOOR PLAN
- A2.2 EXISTING FLOOR PLAN
- A3 ADA DETAILS
- A4 NEW REFLECTED CEILING PLAN
- A5 BUILDING EXTERIOR COLOR ELEVATION
- A6 T-BAR AND EQUIPMENT DETAILS

SCOPE OF WORK:

TENANT IMPROVEMENT FOR: POTOLGY LABS

SUBDIVIDE ULTRALIGHT OPTICS INC. BUILDING TO MAKE POTOLGY LABS

EXISTING HVAC SYSTEM

NEW PLUMBING SYSTEM FOR THE NEW UNITS. FOR MECHANICAL NEW AC DUCTING ONLY.

NO CHANGE IN EXISTING T-BAR & LIGHTING, PLUMBING & MECHANICAL SYSTEM FOR THE REMAINING UNIT

PROPERTY OWNER: RON NGUYEN, DOB 2605 CADILLAC AVE. BLDG. H COSTA MESA, CA 92626 (323) 318-4814

TENANT OWNER: ULTRALIGHT OPTICS INC. CONTACT PERSON: DUNG VO (408) 428-4556 2605 CADILLAC AVE. BLDG. H COSTA MESA, CA 92626

PROJECT ADDRESS: 136-561-18

LEGAL DESCRIPTION: P BK 160 PG 22 PAR 21

BUILDING SIZE: 6,379 SQ. FT.

NEW POTOLGY LABS 3,185 SQ. FT.

OCCUPANCY GROUP: B

OCCUPANT LOAD: 3,185 / 100 = 12

CONSTRUCTION TYPE: V-B-SPRINKLER

BUILDING HEIGHT: 22 FT.

REQUIRED AND PROVIDED NUMBER OF EXIT: 1

MAXIMUM TRAVEL DISTANCE: 60 FT.

APPLICABLE CODES:

2018 EDITION OF THE CALIFORNIA BUILDING CODE.

2018 EDITION OF THE CALIFORNIA MECHANICAL CODE.

2018 EDITION OF THE CALIFORNIA ELECTRICAL CODE.

2018 CALIFORNIA FIRE CODE.

TITLE 18 CALIFORNIA CODE OF REGULATIONS

2018 THE COSTA MESA MUNICIPAL CODE.

NOTES:

- Plans for all fixed fire protection equipment such as standpipes, sprinkler systems, commercial hand extinguishers, and fire alarm systems shall be submitted to, and approved by the Fire Department prior to installation and final inspection.
- The tenant spaces, the main entrances and exits, path of travel, assembly facilities, drinking fountains and public restrooms serving the tenant spaces shall be accessible to persons with disability. City Inspector shall verify at field the compliance prior to final inspection.
- All work shall comply with 2018 CBC and State and City amendments.
- All equipment shall be U.L. listed and installed according to the listing.
- Visibility into the interior of the premises shall not be blocked by window tinting greater than 20 percent opacity, opaque coverings of any nature, or by posted signs covering more than 20 percent of any window pane area.

TENANT IMPROVEMENT
POTOLGY LABS
3505 CADILLAC AVE. BLDG. H UNIT B
COSTA MESA, CA 92626

PLAN NO.

REVISIONS

SUBMITTAL

8/8/2018

START DATE: 10/22/2017

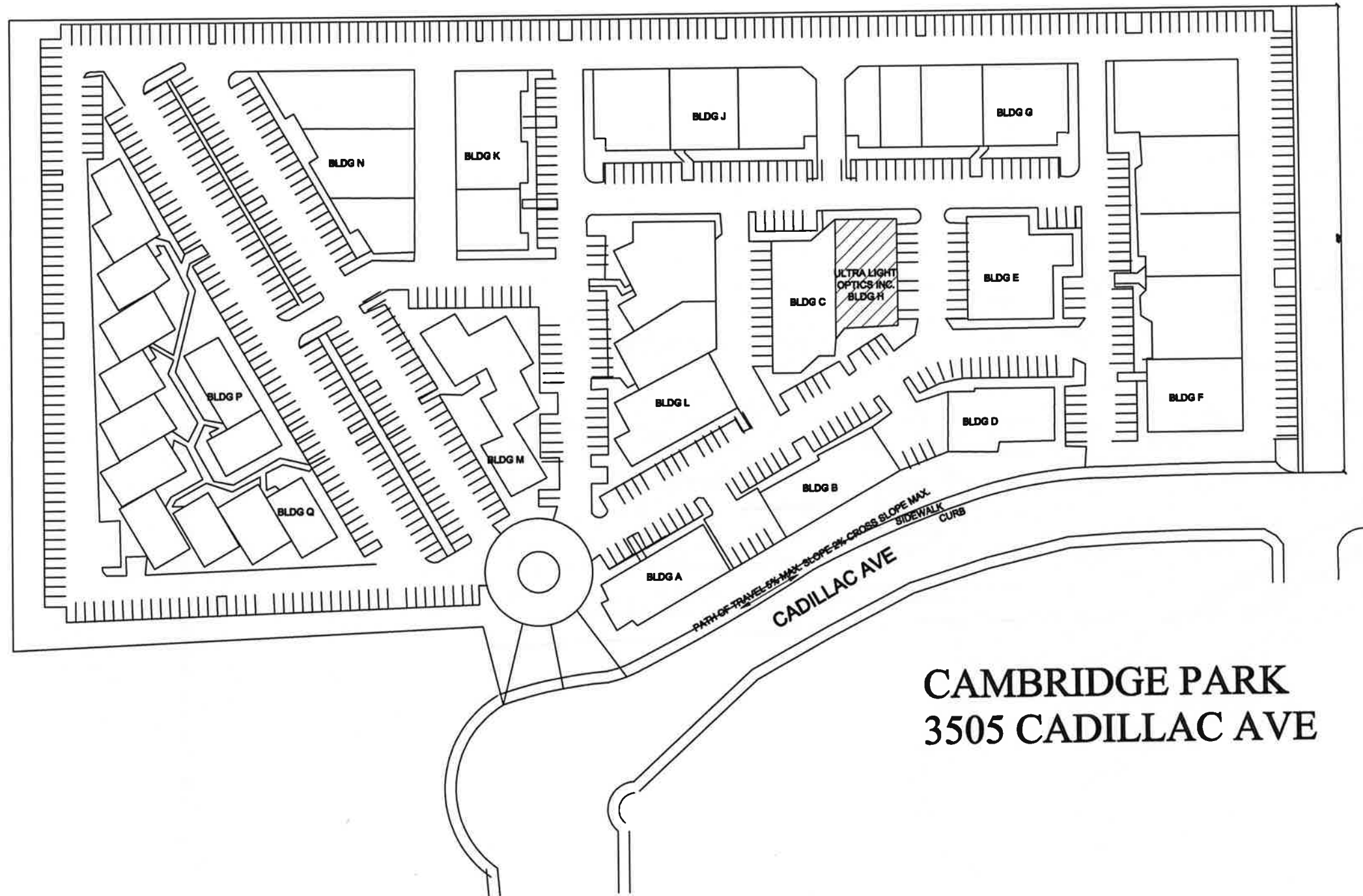
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SCALE: AS NOTED

SHEET TITLE:

**SITE PLAN, &
VICINITY MAP**

A-1



CAMBRIDGE PARK 3505 CADILLAC AVE

CAMBRIDGE PARK
SCALE: 1"=50'-0"



POTOLOGY LABS

3988 CADILLAC AVE
BLDG B UNIT C
COSTA MESA, CA 92626

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CONCEPT IS THE PROPERTY OF
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PERMISSION.

PROJECT DESIGNER:
VINH DESIGN SERVICES
VINH-HAI NGO, M.ENG.
11782 SANTA ROSALIA ST
STANTON, CA 90680
TEL: (714) 548-8488 FAX: (714) 589-8884
E-MAIL: ngo@vinhdesign.com

ENGINEER:
STRUCTURAL ENGINEERING:
BEN PHAN, P.E.
714 281-4837
ELECTRICAL ENGINEERING:
LONG TRAN, P.E.
714 899-3837
MECHANICAL & PLUMBING
ENGINEERING:
PHANH PHONGSAK, P.E.
562 404-2895

STAMP:

TENANT IMPROVEMENT
POTOLOGY LABS
3505 CADILLAC AVE. BLDG. H UNIT B
COSTA MESA, CA 92626

PLAN NO.

REVISIONS

SUBMITTAL

8/8/2018

START DATE: 10/22/2017

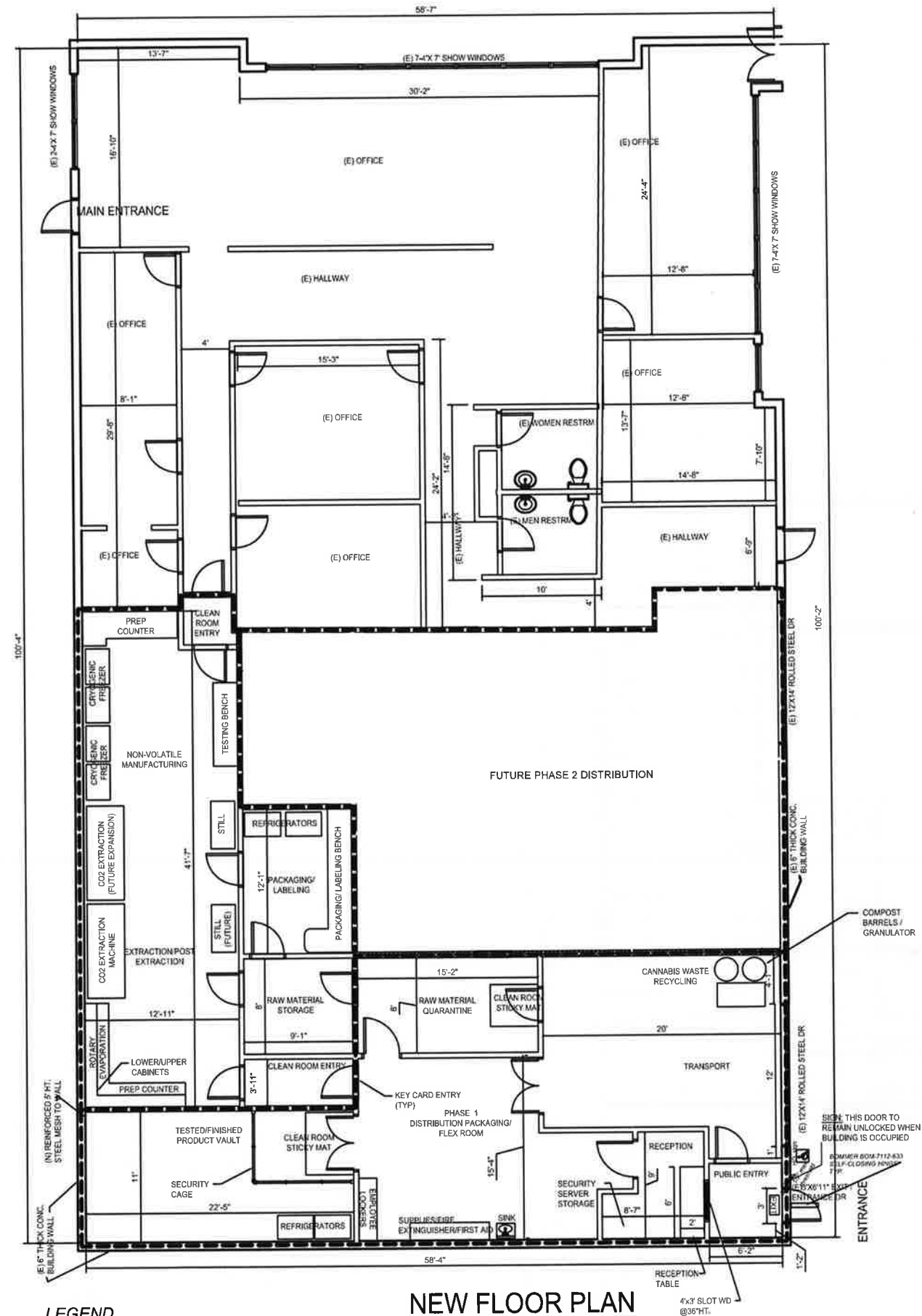
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SHEET TITLE:

CAMBRIDGE
PARK

A-1.2



POTOLOGY LABS

3505 CADILLAC AVE
BLDG H UNIT C
COSTA MESA, CA 92626

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TEL: (714) 545-8485 FAX: (714) 899-9904
E-MAIL: ngovinhhai86@yahoo.com

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ELECTRICAL ENGINEERING:
LONG TRAN, P.E.
714 899-3837

MECHANICAL & PLUMBING ENGINEERING:
PHANH PHONGSAK, P.E.
562 404-2895

STAMP:

TENANT IMPROVEMENT
POTOLOGY LABS
3505 CADILLAC AVE. BDLG. H UNIT B
COSTA MESA, CA 92626

PLAN NO.
REVISIONS

SUBMITTAL
8/8/2018

START DATE: 10/22/2017

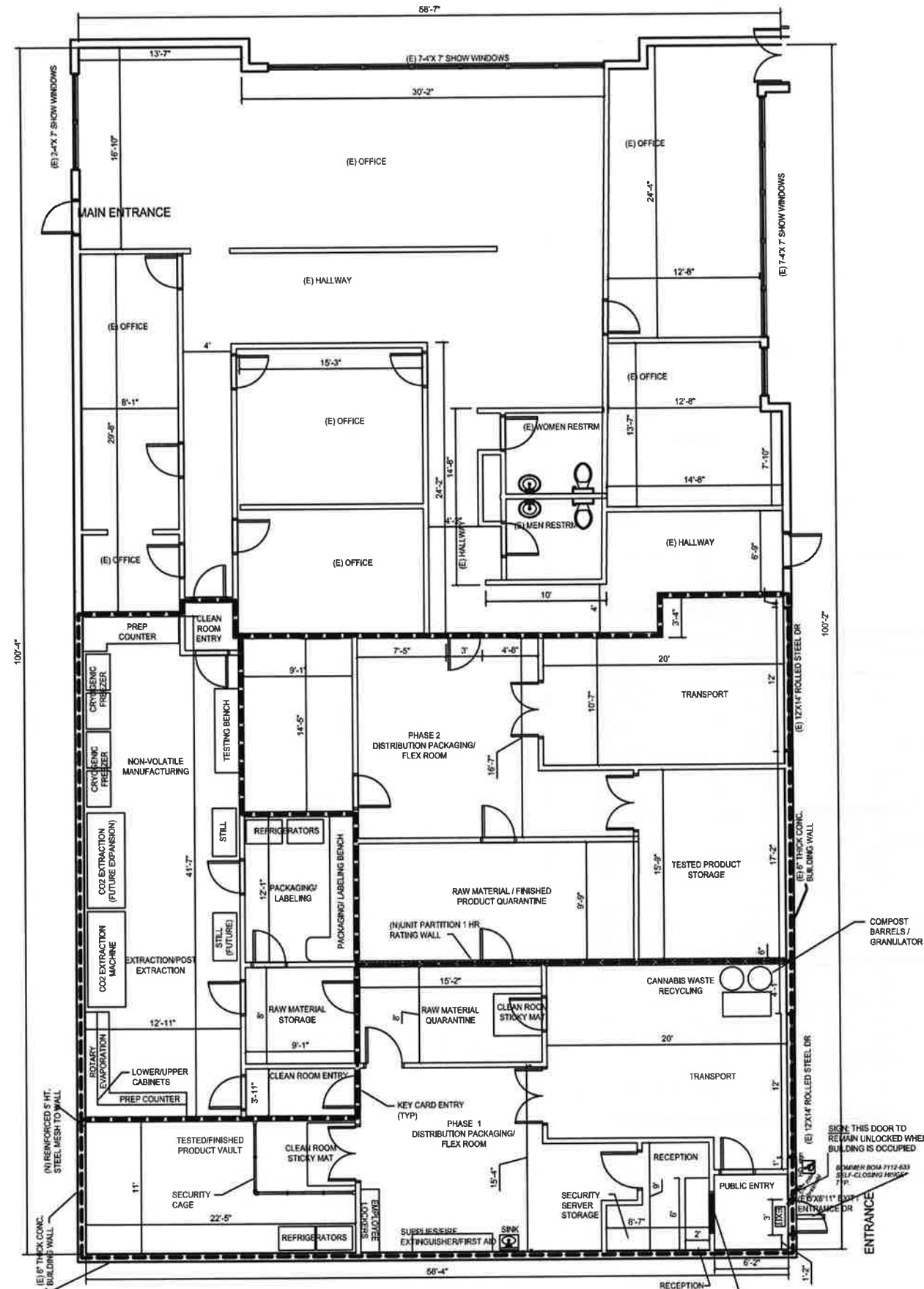
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SCALE: AS NOTED

SHEET TITLE:

NEW FLOOR PLAN

A-2.0



LEGEND
EXISTING WALL TO REMAIN
NEW WALL

NEW FLOOR PLAN
SCALE: 3/16"=1'-0"

POTOLOGY LABS

3305 CADILLAC AVE
BLDG R UNIT C
COSTA MESA, CA 92626

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TEL: (714) 545-8486 FAX: (714) 899-9894
E-MAIL: ngovinhha66@yahoo.com

ENGINEER:
STRUCTURAL ENGINEERING:
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ELECTRICAL ENGINEERING:
LONG TRAN, P.E.
714 899-3837

**MECHANICAL & PLUMBING
ENGINEERING:**
PHANH PHONGSAK, P.E.
562 404-2895

STAMP:

**TENANT IMPROVEMENT
POTOLOGY LABS
3505 CADILLAC AVE. BLDG. H UNIT B
COSTA MESA, CA 92626**

PLAN NO.
REVISIONS

SUBMITTAL
8/8/2018

START DATE: 10/22/2017

DRAWN: H.N

SCALE: AS NOTED

SHEET TITLE:

**NEW PHASE 2
FLOOR PLAN**

A-2.1

3909 CADILLAC AVE
BLDG H UNIT C
COSTA MESA, CA 92626

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PROJECT DESIGNER:
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ELECTRICAL ENGINEERING:
LONG TRAN, P.E.
714 899-3837
MECHANICAL & PLUMBING
ENGINEERING:
PHANH PHONGSAK, P.E.
562 404-2695

STAMP:

**TENANT IMPROVEMENT
POTOLOGY LABS
33505 CADILLAC AVE. BDLG. H UNIT B
COSTA MESA, CA 92626**

PLAN NO.

REVISIONS

SUBMITTAL

8/8/2018

START DATE: 10/22/2017

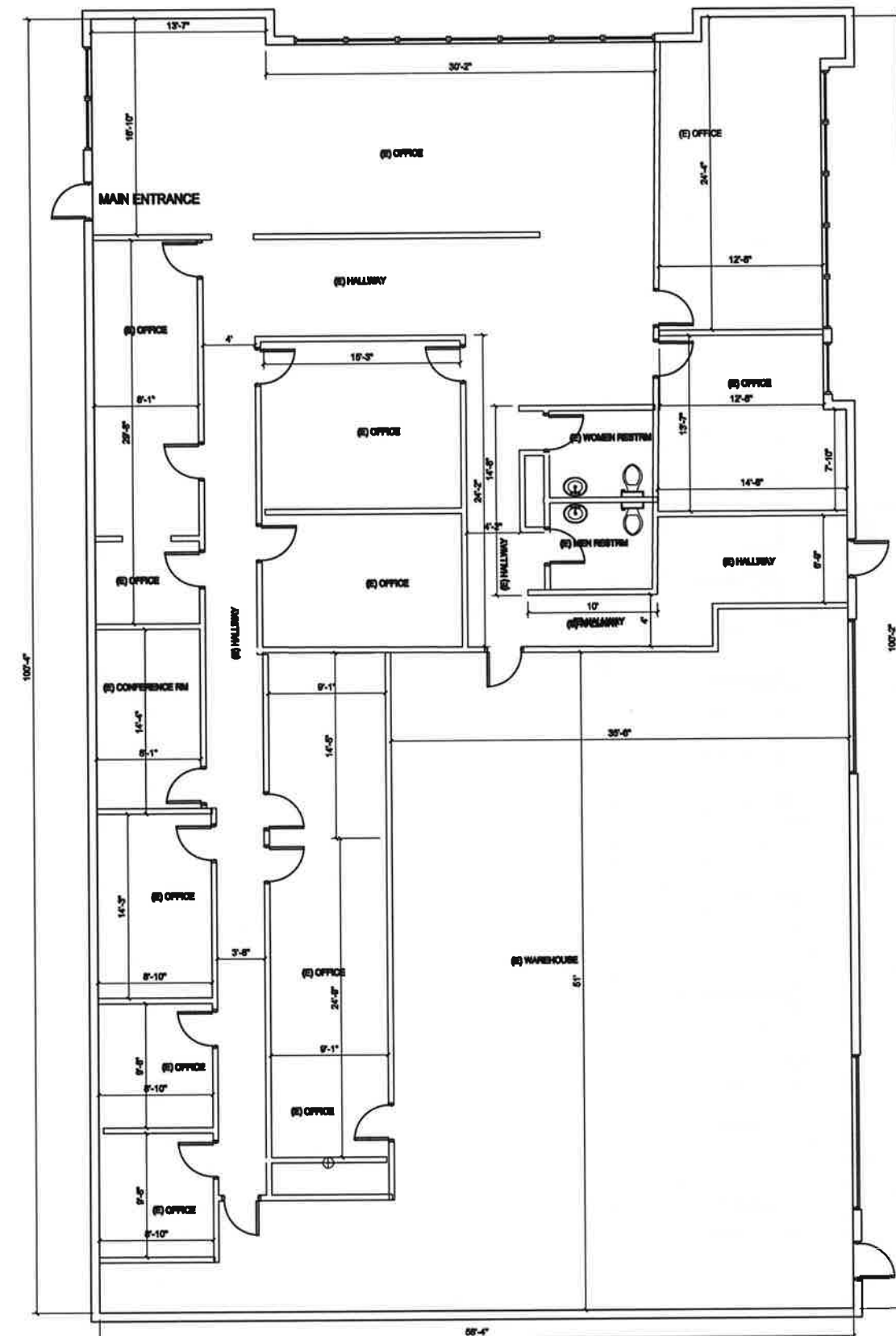
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SHEET TITLE:

**EXISTING
FLOOR PLAN**

A3



EXISTING FLOOR PLAN

SCALE: 3/16"=1'-0"

RESOLUTION NO. PC-18-

**A RESOLUTION OF THE PLANNING COMMISSION OF THE
CITY OF COSTA MESA, CALIFORNIA APPROVING
CONDITIONAL USE PERMIT PA-18-33 TO ALLOW A
MARIJUANA MANUFACTURING AND DISTRIBUTION
FACILITY AT 3505 CADILLAC AVENUE, BUILDING H**

THE PLANNING COMMISSION OF THE CITY OF COSTA MESA, CALIFORNIA
HEREBY RESOLVES AS FOLLOWS:

WHEREAS, on or about November 8, 2016, Costa Mesa voters approved Measure X; which allows for the distribution, manufacture, processing, research and development laboratories, testing laboratories and transportation of marijuana related uses located in Industrial Park (MP) and Planned Development Industrial (PDI) zoned properties north of South Coast Drive, west of Harbor Boulevard, excluding the South Coast Collection (SOCO) property located at 3303 Hyland Avenue.

WHEREAS, Planning Application 18-33 was filed by Christopher Cox, representing Dr. Ronald Nguyen, the property owner, requesting approval of the following in accordance with Measure X:

A Conditional Use Permit for a marijuana manufacturing and distribution facility (Potology, LLC) within a 3,166-square-foot tenant space of an existing 6,179-square-foot industrial building—Building H. The proposed facility will include non-volatile CO2 extraction, manufacturing for vaping cartridges/pens and bulk oil concentrates, and distribution of the final packaged product in biomass, flower, edibles, beverages, vape cartridges/pens, etc. Rooms include interior loading/unloading vehicular space, quarantine, extraction, packaging, and an ancillary office. Vehicles used for the distribution of cannabis products will be pulled into a secured area inside the building during loading and unloading. The facility will have security systems (card readers, security cameras, etc.) throughout the facility. No cultivation of marijuana, or marijuana dispensary, is permitted.

WHEREAS, on July 19, 2018, Christopher Cox, was issued a Notice to Proceed and Background Clearance Letter for the property located at 3505 Cadillac, Building H (Permit Number MX-17-0006) from the Community Improvement Division, which allows the applicant to proceed with submittal of a conditional use permit consistent with the

procedures set forth in Section 13-200.92(c) of the CMMC and Administrative Regulation A.R. 4.2.

WHEREAS, pursuant to the California Environmental Quality Act (CEQA), the project is exempt from the provisions of CEQA under CEQA Guidelines Section 15301 (Class 1) for Existing Facilities.

WHEREAS, a duly noticed public hearing was held by the Planning Commission on December 10, 2018 with all persons having the opportunity to speak for and against the proposal.

BE IT RESOLVED that, based on the evidence in the record and the findings contained in Exhibit A, and subject to the conditions of approval contained in Exhibit B, the Planning Commission hereby **APPROVES** Planning Application 18-33.

BE IT FURTHER RESOLVED that the Costa Mesa Planning Commission does hereby find and determine that adoption of this Resolution is expressly predicated upon the activity as described in the staff report for Planning Application 18-33 and upon the applicant's compliance with each and all of the conditions in Exhibit B, and compliance of all applicable federal, state, and local laws. Any approval granted by this resolution shall be subject to review, modification or revocation if there is a material change that occurs in the operation, or if the applicant fails to comply with any of the conditions of approval.

BE IT FURTHER RESOLVED that the CEQA determination for this project reflects the independent judgment of the Planning Commission of the City of Costa Mesa.

BE IT FURTHER RESOLVED that if any section, division, sentence, clause, phrase or portion of this resolution, or the documents in the record in support of this resolution, are for any reason held to be invalid or unconstitutional by a decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining provisions.

PASSED AND ADOPTED this 10th day of December, 2018.

Stephan Andranian, Chair
Costa Mesa Planning Commission

STATE OF CALIFORNIA)
COUNTY OF ORANGE)ss
CITY OF COSTA MESA)

I, Barry Curtis, Secretary to the Planning Commission of the City of Costa Mesa, do hereby certify that the foregoing Resolution No. PC-18-____ was passed and adopted at a regular meeting of the City of Costa Mesa Planning Commission held on December 10, 2018 by the following votes:

AYES: COMMISSIONERS

NOES: COMMISSIONERS

ABSENT: COMMISSIONERS

ABSTAIN: COMMISSIONERS

Barry Curtis, Secretary
Costa Mesa Planning Commission

Resolution No. PC-18-____

EXHIBIT A

FINDINGS (APPROVAL)

- A. The proposed project complies with Title 13, Section 13-29(g)(2), Conditional Use Permit, of the Municipal Code due to the following:

Finding: The proposed development or use is substantially compatible with developments in the same general area and would not be materially detrimental to other properties within the area.

Facts in Support of Findings: The proposed use is a manufacturing and distribution use and, with the recommended conditions of approval, will be consistent with the other industrial uses in the immediate vicinity. The business would abut Building C, a pharmaceutical laboratory, and a portion of Building H, a manufacturing of dental and medical equipment. Its adjacent neighbor is a recently approved cannabis manufacturing business (Building E). An existing church is located in Building G(Suite 3 and 5). The church is a permitted use within the business complex and received approval through a Conditional Use Permit. The church's main entry is approximately 150 feet away from the proposed business' entry with no direct views of marijuana products. In addition, all manufacturing and loading / unloading activity will be conducted inside the building which disguises the existence of a marijuana business. Compliance with the conditions of approval, as discussed in the following section, will allow this use to operate with minimal impact on surrounding properties and uses.

Finding: Granting the conditional use permit will not be materially detrimental to the health, safety and general welfare of the public or otherwise injurious to property or improvements within the immediate neighborhood.

Facts in Support of Findings: The proposed use is within an existing building and is consistent with the PDI zoning of the property and the uses immediately abutting the site. Building H has an independent HVAC system separate from its abutting neighbor (Building E) to prevent potential odor. Each licensed premise, distribution and manufacturing, within Building H will have its own ventilation system for climate and odor control including a carbon filtration system. In addition, no loading and unloading of raw materials or finished products into the vehicles will take place outside of the building. Compliance with the recommended conditions of approval and code requirements will ensure that the project is not materially detrimental to the health, safety and general welfare of the public or otherwise injurious to property or improvements within the immediate neighborhood.

Finding: Granting the conditional use permit will not allow a use, density or intensity which is not in accordance with the general plan designation and any applicable specific plan for the property.

Facts in Support of Findings: The project is consistent with the following policies and objectives of the General Plan, Land Use Element. The proposed use is within an existing building and there are no proposed additions to the building; therefore, there is no change to density or intensity. In addition, the proposed use is a conditionally permitted use in the industrial zone.

Policy LU-1.1: *Provide for the development of a mix and balance of housing opportunities, commercial goods and services and employment opportunities in consideration of the need of the business and residential segments of the community.*

Consistency: The proposed use will provide a new entrepreneurial business in Costa Mesa and provide new employment opportunities in the community.

Policy LU-3.1: *Protect existing stabilized residential neighborhoods, including mobile home parks (and manufactured housing parks), from the encroachment of incompatible or potentially disruptive land uses and/or activities.*

Consistency: The proposed use is not located near any residentially-zoned properties. Therefore, the use is consistent with the General Plan Policy.

Policy LU-6.15: *Promote unique and specialized commercial and industrial districts within the City which allow for incubation of new or growing businesses and industries.*

Consistency: The proposed use is part of a growing industry and is proposed in a location as specifically identified for such uses by the City's electorate through Measure X. Therefore, approval encourages new businesses and entrepreneurial opportunities in an area of the City identified for such by local voters.

- B. The project is exempt from the provisions of the California Environmental Quality Act (CEQA) under CEQA Guidelines Section 15301 (Class 1) for Existing Facilities. The project is exempt because it involves minor alterations to an existing industrial building to accommodate a manufacturing use where a similar manufacturing use previously existed. As such, the project involves a negligible expansion of the prior use and does not have the potential to cause significant environmental impacts. The use, as conditioned, is consistent with the applicable General Plan designation and all applicable general plan policies as well as with applicable zoning designation and regulations.
- C. The project is exempt from Chapter XII, Article 3, Transportation System Management, of Title 13 of the Costa Mesa Municipal Code.

EXHIBIT B

CONDITIONS OF APPROVAL

- Plng. 1. The use of this property as a marijuana manufacturing and distribution business shall comply with the approved plans and terms described in this resolution and these conditions of approval. No product distribution shall occur between 12AM to 5AM. The Planning Commission may modify or revoke any planning application based on findings related to public nuisance and/or noncompliance with conditions of approval [Title 13, Section 13-29(o)].
2. This CUP will expire and be of no further force and effect if the applicant does not obtain a valid marijuana business permit for this location within 12 months from issuance of this CUP.
3. Use of this property as a marijuana manufacturing and distribution business shall comply with the approved plans and terms described in this resolution and the conditions of approval included herein.
4. The subject business shall not engage in the retail sale of cannabis or marijuana products, in any form.
5. Prior to the issuance of certificates of use and occupancy, the applicant shall provide the City with photographs depicting the interior and exterior of the property, including, but not limited to, the entire interior of the proposed property entrances, exits, street frontage, parking front, rear and side of the proposed property.
6. No cultivation of cannabis or marijuana may occur on the premises.
7. Business identification signage shall be limited to that needed for identification only. Business identification signage shall not include any references to marijuana, whether in words or symbols. All signs shall comply with the Costa Mesa Municipal Code. No sign shall be installed until the owner/operator or its designated contractor has obtained any permit required from the City.
8. A Marijuana Business Permit may be revoked upon a hearing by the Director of Development Services pursuant to Section 9-120 of the Costa Mesa Municipal Code for failing to comply with the terms of the permit, the applicable provisions of the Municipal Code, state law or regulation and/or any condition of any other permit issued pursuant to this code. Revocation of the Marijuana Business Permit shall trigger the City's proceedings to revoke this CUP. The CUP granted herein shall not be construed to allow any subsequent owner/operator to continue operating under PA-18-33 until a valid Marijuana Business Permit is received from the City of Costa Mesa.
9. This business operator shall pay all sales, use, business and other applicable taxes, and all license, registration, and other fees and permits required under federal, state and local law. This business operator shall cooperate with the City with respect to any reasonable request to audit the marijuana business' books and records for the purpose of verifying compliance with the CMMC and this CUP, including but not limited to a verification of the amount of taxes required to be paid during any period.

10.
 - a. The owner/operator of this marijuana business shall maintain accurate books and records, detailing all of the revenues and expenses of the business, and all of its assets and liabilities. On no less than an annual basis, or at any time upon reasonable request of the City, the owner/operator shall file a sworn statement detailing the number of sales by the marijuana business during the previous twelve month period (or shorter period based upon the timing of the request), provided on a per-month basis. The statement shall also include gross sales for each month, and all applicable taxes paid or due to be paid.
 - b. The owner/operator shall maintain a current register of the names and the contact information (including the name, address, and telephone number) of anyone owning or holding an interest in the marijuana business, and separately of all the officers, managers, employees, agents and volunteers currently employed or otherwise engaged by the marijuana business. The register required by this condition shall be provided to the City Manager upon a reasonable request.
 - c. The owner/operator shall maintain an inventory control and reporting system that accurately documents the present location, amounts, and descriptions of all cannabis and cannabis products for all stages of the production or manufacturing, laboratory testing and distribution processes. Subject to any restrictions under the Health Insurance Portability and Accountability Act (HIPPA), the owner/operator shall allow City officials to have access to the business's books, records, accounts, together with any other data or documents relevant to its permitted marijuana activities, for the purpose of conducting an audit or examination. Books, records, accounts, and any and all relevant data or documents will be produced no later than twenty-four (24) hours after receipt of the City's request, unless otherwise stipulated by the City.
 - d. The owner/operator shall have in place a point-of-sale tracking system to track and report on all aspects of the marijuana business including, but not limited to, such matters as cannabis tracking, inventory data, and gross sales (by weight and by sale). The owner/operator shall ensure that such information is compatible with the City's record-keeping systems. The system must have the capability to produce historical transactional data for review by the City Manager.
11. The owner/operator shall obtain and maintain at all times during the term of the permit comprehensive general liability insurance and comprehensive automotive liability insurance protecting the permittee in an amount of not less than one million dollars (\$1,000,000.00) per occurrence, combined single limit, including bodily injury and property damage and not less than one million dollars (\$1,000,000.00) aggregate for each personal injury liability, products-completed operations and each accident, issued by an insurance provider admitted and authorized to do business in California and shall be rated at least A-:viii in A.M. Best & Company's Insurance Guide. Proof of said insurance must be provided to the Planning Division before the business commences operations. Any changes to the insurance policy must

- be submitted to the Community Improvement Division within 10 days of the date the change is effective.
12. The operator shall maintain a valid Marijuana Business Permit and a valid Business License at all times. The Marijuana Business Permit application number associated with this address is MX-17-0006. Upon issuance, the Marijuana Business Permit will be valid for a two-year period and must be renewed with the Community Improvement Division prior to its expiration date, including the payment of permit renewal fees.
 13. No person may engage in any marijuana business or in any marijuana activity within the City including manufacture, processing, laboratory testing, transporting, dispensing, distribution, or sale of cannabis or a cannabis product unless the person:
 - a. Has a valid Marijuana Business Permit from the City.
 - b. Pays all Marijuana Business Permit and all application fees and deposits established by resolution of the City Council, including, but not limited to, annual Community Improvement Division Inspection deposits.
 - c. Has obtained all applicable planning, zoning, building, and other applicable permits from the relevant governmental agency which may be applicable to the zoning district in which such marijuana business intends to operate.
 - d. Has obtained a City business license pursuant to Chapter I of the Municipal Code.
 - e. Has met all requirements of Community Improvement Division regarding the property.
 - f. Has satisfied all conditions of approval of this CUP.
 14. Cannabis shall not be consumed on the premises at any time, in any form.
 15. No outdoor storage of cannabis or cannabis products is permitted at any time.
 16. All cannabis and cannabis products sold, distributed or manufactured shall be cultivated, manufactured, and transported by licensed facilities that maintain operations in full conformance with State and local regulations.
 17. The sale, dispensing, or consumption of alcoholic beverages on or about the premises is prohibited.
 18. Persons under the age of twenty-one (21) years shall not be allowed on the premises of this business. It shall be unlawful and a violation of this CUP for the owner/operator to employ any person who is not at least twenty-one (21) years of age.
 19. The owner/operator shall prohibit loitering by persons outside the facility both on the premises and within fifty feet (50') of the premises.
 20. No cannabis or cannabis products, or graphics depicting cannabis or cannabis products, shall be visible from the exterior of this property, or on any of the vehicles owned or used as part of the marijuana business.
 21. Per the City's Administrative Regulations, each entrance to the business shall be visibly posted with a clear and legible notice stating the following:
 - a. That smoking, ingesting, or otherwise consuming cannabis on the premises or in the areas adjacent to the marijuana business is prohibited.

- b. That no person under the age of twenty-one (21) years of age is permitted to enter upon the premises.
 - c. That loitering by persons outside the facility both on the premises and within fifty feet (50') of the premises is prohibited.
- 22. Odor control devices and techniques shall be incorporated to ensure that odors from marijuana are not detected outside the property, anywhere on adjacent property or public right-of-way, or within any other units located within the same building as the marijuana business. Building and mechanical permits must be obtained from the Building Division prior to work commencing on any part of the odor control system.
- 23. Security and Safety Measures: The Security Plan and Safety Plan identified in the approved Marijuana Business Permit must be implemented at all times and must conform to the requirements of both Title 9, Chapter VI and the City's Administrative Regulation Number 4.2.
- 24. Every manager, supervisor, employee or volunteer of the marijuana business must submit fingerprints and other information specified on the Marijuana Business Permit for a background check by the Costa Mesa Police Department to verify that person's criminal history.
 - a. No employee or volunteer may commence paid or unpaid work for the business until the background checks have been approved.
 - b. No marijuana business or owner thereof may employ any person who has convicted of a felony within the past 7 years, unless that felony has been dismissed, withdrawn, expunged or set aside pursuant to Penal Code sections 1203.4, 1000 or 1385, or who is currently on probation or parole for the sale, distribution, possession or manufacture of a controlled substance.
- 25. All employees must wear an identification badge while on the premises of the business, in a format prescribed by the City Manager.
- 26. Should any employee, volunteer or other person who possess an identification badge be terminated or cease their employment with the business, the applicant shall return such identification badge to the Community Improvement Division within 24 hours, not including weekends and holidays.
- 27. Inspections of this marijuana business by the City's Community Improvement Division will be conducted, at a minimum, on a quarterly basis. Code Enforcement officers, the Building Official and/or the Fire Marshall may enter and inspect the location of this business between the hours of 8:00 am and 5:00 pm Monday through Friday upon 24 hours telephonic notice to the owner or operator, to ensure compliance with this CUP.
- 28. The City Manager or his or her designees may enter this business at any time during the hours of operation without notice, and inspect the location of this business as well as any recordings and records required to be maintained pursuant to Title 9, Chapter VI or under applicable provisions of State law. The City Manager or his or her designees may conduct inspections at the site, as well as any recordings and records required to be

- maintained pursuant to Title 9, Chapter VI or under applicable provisions of State law.
29. Suspension of a license issued by the State of California, or by any of its departments or divisions, shall immediately suspend the ability of a marijuana business to operate within the City, until the State of California, or its respective department or division, reinstates or reissues the State license. Should the State of California, or any of its departments or divisions, revoke or terminate the license of a marijuana business, such revocation or termination shall also revoke or terminate the ability of a cannabis business to operate within the City. This CUP will expire and be of no further force and effect if any state issued license remains suspended for a period of 6 months. Documentation of three violations during routine inspections or investigations of complaints shall result in the Community Improvement Division scheduling a hearing before the Director of Development Services to consider revocation of the Marijuana Business Permit.
 30. The business must obtain any and all licenses required by state law and/or regulation prior to engaging in any cannabis activity at the property.
 31. Pursuant to Title 9, Chapter VI It is unlawful for any person having responsibility for the operation of a marijuana business, to impede, obstruct, interfere with, or otherwise not to allow, the City to conduct an inspection, review or copy records, recordings or other documents required to be maintained by a marijuana business under this chapter or under state or local law. It is also unlawful for a person to conceal, destroy, deface, damage, or falsifies any records, recordings or other documents required to be maintained by a marijuana business under this chapter or under state or local law.
 32. The uses authorized by this Conditional Use Permit must be conducted in accordance with all applicable state and local laws, including, but not limited to compliance with the most current versions of the provisions of the California Code of Regulations that regulate the uses permitted hereby. Any violation thereof shall be a violation of the conditions of this permit and may be cause for revocation of this permit.
 33. Any change in the operational characteristics of the use shall be subject to Planning Division review and may require an amendment to the conditional use permit, subject to either Zoning Administrator or Planning Commission approval, depending on the nature of the proposed change.
 34. Any change in equipment, operation, or hazard shall be submitted to the City for review and approval prior to the change taking place.
 35. The operator shall maintain free of litter all areas of the premises under which applicant has control.
 36. The use shall be conducted, at all times, in a manner that will allow the quiet enjoyment of the surrounding neighborhood. The operator shall institute whatever security and operational measures are necessary to comply with this requirement.
 37. The applicant shall defend, indemnify, and hold harmless the City, its elected and appointed officials, agents, officers and employees from any claim, action, or proceeding (collectively referred to as "proceeding") brought against the

- City, its elected and appointed officials, agents, officers or employees arising out of, or which are in any way related to, the applicant's project, or any approvals granted by City related to the applicant's project. The indemnification shall include, but not be limited to, damages, fees and/or costs awarded against the City, if any, and cost of suit, attorney's fees, and other costs, liabilities and expenses incurred in connection with such proceeding whether incurred by the applicant, the City and/or the parties initiating or bringing such proceeding. This indemnity provision shall include the applicant's obligation to indemnify the City for all the City's costs, fees, and damages that the City incurs in enforcing the indemnification provisions set forth in this section. City shall have the right to choose its own legal counsel to represent the City's interests, and applicant shall indemnify City for all such costs incurred by City.
38. Prior to occupancy, the applicant shall provide a scaled and dimensioned digital floor plan(s) for the tenant space, on either a CD or thumb drive, to the Planning Division.
39. Prior to issuance of building permit, the Applicant shall submit project plans that comply with the security-related requirements as recommended by the City's security-consultant, HdL, including, but not limited to, the following:
- a. The applicant should update the floor plan to provide camera coverage in the manufacture Packaging/Labeling room, the Security Server Storage room, the exterior door of the Clean Room Entry near the Prep Counter of the manufacture facility, and the exterior door of the Phase 2 Distribution Packaging Flex Room near the common hallway.
- b. The applicant should update their SOP's video storage to 90 days.
40. The proposed use will also be required to comply with the building/fire code for type of construction, separations, fire rated walls and doors, and exiting. Additionally, the applicant will be required to submit plans showing the mechanical equipment for adequate odor control and ventilation for the tenant space. Compliance will be confirmed at the time of building plan check.
- Fire 41. Non-volatile extraction operations shall be conducted according to the Fire Department approved Safety Plan and the approved building construction plans.
42. Any change in equipment, operation, or hazard shall be submitted to the City for review and approval before the change taking place.
43. There shall be no volatile extraction operations conducted at this facility.
44. A copy of the approved Safety Plan shall be maintained onsite at all times, and it shall be available at the request of any City Official.
45. The storage, use, and disposal of hazardous materials at this facility shall be conducted according to the California Fire Code and the Orange County Environmental Health Department regulations.
46. Medical marijuana liquid or solid waste must be made unusable and unrecognizable before leaving a secured storage area and shall be disposed of at facility approved to receive such waste.

47. Quarterly Fire & Life Safety Inspections will be conducted by the Community Risk Reduction Division to verify compliance with the approved operation. The applicant will pay for the inspection according to the Additional Required Inspections as adopted in the Fee Schedule.
48. Annual Fire & Life Safety Inspections will be conducted by the Fire Station Crew for emergency response pre-planning and site access familiarization. The applicant will pay for the inspection according to the adopted Fee Schedule.

CODE REQUIREMENTS

The following list of federal, state and local laws applicable to the project has been compiled by staff for the applicant's reference. Any reference to "City" pertains to the City of Costa Mesa.

- Plng.
1. All contractors and subcontractors must have valid business licenses to do business in the City of Costa Mesa. Final inspections, final occupancy and utility releases will not be granted until all such licenses have been obtained.
 2. Approval of the planning/zoning application is valid for two (2) years from the effective date of this approval and will expire at the end of that period unless applicant establishes the use by one of the following actions: 1) a building permit has been issued and construction has commenced, and has continued to maintain a valid building permit by making satisfactory progress as determined by the Building Official, 2) a certificate of occupancy has been issued, or 3) the use is established and a business license has been issued. A time extension can be requested no less than thirty (30) days or more than sixty (60) days before the expiration date of the permit and submitted with the appropriate fee for review to the Planning Division. The Director of Development Services may extend the time for an approved permit or approval to be exercised up to 180 days subject to specific findings listed in Title 13, Section 13-29 (k) (6). Only one request for an extension of 180 days may be approved by the Director. Any subsequent extension requests shall be considered by the original approval authority.
 3. Hours of construction shall comply with Section 13-279, Title 13, of the Costa Mesa Municipal Code.
 4. Permits shall be obtained for all signs according to the provisions of the Costa Mesa Sign Ordinance.
 5. Street address shall be visible from the public street and/or shall be displayed on the freestanding sign. If there is no freestanding sign, the street address may be displayed on the fascia adjacent to the main entrance or on another prominent location. When the property has alley access, address numerals shall be displayed in a prominent location visible from the alley. Numerals shall be a minimum twelve (12) inches in height with not less than three-fourth-inch stroke and shall contrast sharply with the background. Identification of individual units shall be provided adjacent to the unit entrances. Letters or numerals shall be four (4) inches in height with not less than one-fourth-inch stroke and shall contrast sharply with the background.
 6. Any mechanical equipment such as air-conditioning equipment and duct work shall be screened from view in a manner approved by the Planning Division.
 7. Trash enclosure(s) or other acceptable means of trash disposal shall be provided. Design of trash enclosure(s) shall conform with City standards.

- Bldg.
8. Comply with the requirements of the following adopted codes: 2016 California Building Code, 2016 California Electrical Code, 2016 California Mechanical Code, 2016 California Plumbing Code, 2016 California Green Building Standards Code, and 2016 California Energy Code (or the applicable adopted California Building Code, California Electrical Code, California Mechanical Code, California Plumbing Code, California Green Building Standards, and California Energy Code, at the time of plan submittal or permit issuance) and California Code of Regulations, also known as the California Building Standards Code, as amended by the City of Costa Mesa. Requirements for accessibility to sites, facilities, buildings, and elements by individuals with disability shall comply with Chapter 11B of the 2016 California Building Code.
 9. The conditions of approval and ordinance or code provisions of Planning Application 18-33 shall be blueprinted on the face of the site plan as part of the plan check submittal package.
 10. Prior to the Building Division issuing a demolition permit. contact South Coast Air Quality Management District (AQMD) located at:
21865 Copley Dr.
Diamond Bar, CA 91765-4178
Tel: 909- 396-2000
or
Visit their web site:
<http://www.costamesaca.gov/modules/showdocument.aspx?documentid=23381>. The Building Div. will not issue a demolition permit until an Identification Number is provided by AQMD.
 11. Plans shall be prepared by a California licensed Architect or Engineer. Plans shall be wet stamped and signed by the licensed Architect or Engineer prior to the issuance of building permits.
 12. Equipment used for the processing or manufacturing of cannabis products shall be approved for use by a recognized testing laboratory.
- Fire
13. Comply with the requirements of the 2016 California Fire Code, including the 2016 Intervening Update and referenced standards as amended by the City of Costa Mesa.

SPECIAL DISTRICT REQUIREMENTS

The requirements of the following special districts are hereby forwarded to the applicant:

- | | | |
|-------|----|---|
| Sani. | 1. | The applicant is required to contact the Costa Mesa Sanitary District at (949) 654-8400 to arrange final sign-off prior to certificate of occupancy being released. |
| | 2. | Applicant shall contact Costa Mesa Sanitary District at (949) 654-8400 for any additional district requirements. |
| AQMD | 3. | Applicant shall contact the Air Quality Management District (AQMD) at (800) 288-7664 for potential additional conditions of development or for additional permits required by AQMD. |
| Water | 4. | Customer shall contact the Mesa Water District – Engineering Desk and submit an application and plans for project review. Customer must obtain a letter of approval and a letter of project completion from Mesa Water District. |
| State | 5. | Comply with the requirements of the California Department of Food and Agriculture (CDFA) to determine if red imported fire ants (RIFA) exist on the property prior to any soil movement or excavation. Call CDFA at (714) 708-1910 for information. |

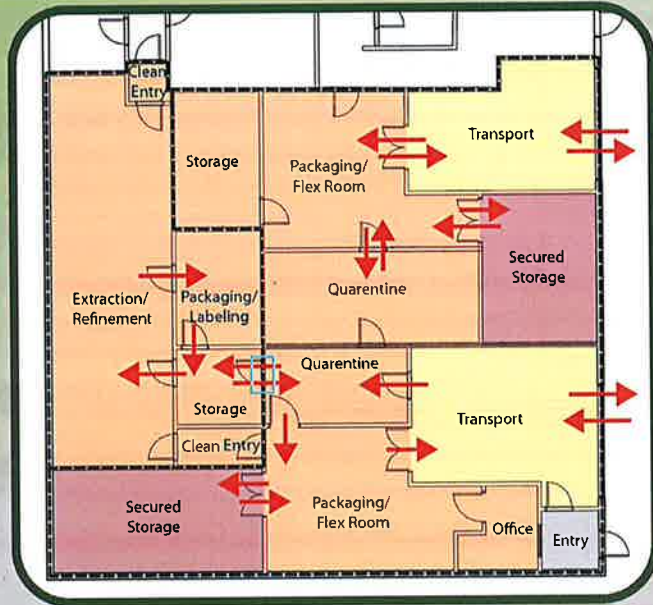
Product Flow and Restricted Access

Access levels

- Public Access
- Transport Access
- Restricted Access
- Heightened Restricted Access

Product Flow

- Flow Direction
- Change of Custody
(Distribution / Manufacturing)



Proposed Floor Plan

Total by Licensed Premises	
Area	Area (ft ²)
Manufacturing	778
Distribution	1,094
Distribution (TI Expansion)	1,121
Wall Area	174
Total	3,166

